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WORLD TRADE AND NATIONAL TARIFFS

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This summer, CURRENT HISTORY is devoting three issues to the foreign trade policy of the United States. Our June issue introduces the series with a seven-article background study of United States trade from 1660 to 1960. In the first article on mercantilism, the author writes that "whatever the economic burden placed upon the colonies, they prospered and became thriving communities." Indeed, "they belonged to an empire which protected them from the competition of foreign ships and which until 1764 provided them internal stability. Whether these advantages were worth the cost is uncertain, but it is probably worth pointing out once more that the great majority of Americans in 1775 seemed to think they were."

Mercantilism and American Trade

By George Langdon
Instructor in History, Yale University

In the early spring of 1603 Elizabeth, Queen of England, last of the Tudor line, died and an era which had marked the birth of modern England ended. While she ruled, her country had challenged the supremacy of Spain at sea, and discovered the riches which existed in overseas trade. Elizabethan freebooters, prowling the Atlantic and capturing Spanish treasure ships, had returned home bearing the wealth of the New World. Other men, following more legitimate pursuits, had formed stock companies to trade with eastern Europe and the East Indies. By the year of Elizabeth's death, England was already changing from an agricultural country to one whose economic interests were beginning to center in overseas commerce.

Four years after Elizabeth's death, excited by the prospects of tapping the resources of America and of finding a northwest passage to the Orient, England began the successful permanent settlement of the coast of North America. Private capital organized in stock companies financed these early efforts to plant overseas colonies. Men who invested their capital in such ventures—in contrast to the actual settlers for whom economic considerations were sometimes secondary—hoped they would receive a profit on their investment. English overseas colonization in the early years of the seventeenth century therefore began not so much because of a great national undertaking, although this element was present to some extent, but because private persons were willing to place their capital in what seemed to be potentially profitable enterprises.

Yet while settlement of the North American colonies took place without the initiative of the state, some men were already aware of the potential value of overseas plantations quite apart from the consideration of whether the settlements returned a profit on the initial investment. In an age of ruthless economic nationalism when the colonies of a European state were believed to exist for

the benefit of that country alone, they could see England's overseas possessions in terms of their value to the nation as a whole.

Richard Hakluyt, for one, writing in 1584 to persuade Elizabeth to back Sir Walter Raleigh's colonization of Roanoke Island, used as one of his arguments the precarious state of England's trade. Hakluyt pointed to England's dependence upon the Baltic states for naval stores and upon Southern Europe for certain staples. Colonization, Hakluyt argued, would not only quicken English commerce, but would also free England from dependence upon foreign rivals. Hakluyt added that eventually the colonies would themselves provide markets for English products.[1]

Elizabeth, however, was not persuaded, nor was her Stuart successor, James I, sufficiently interested to take an active part in the establishment of colonies. The settlements in North America seemed far away and the crown was more concerned with the consolidation of control at home. Moreover, the economic difficulties the Virginia Company experienced in maintaining the colony at Jamestown indicated that overseas plantations, instead of returning a profit, could become a costly drain.

Nonetheless, by 1620 the Crown was beginning to take a closer look at the settlements begun by the Virginia Company at Jamestown and in Bermuda. John Rolfe had planted a marketable tobacco in Virginia in 1613, and by 1617 this staple was arriving in England in increasing quantities. James I had a strong aversion to tobacco: he thought of it as a twentieth century man thinks of opium and was anxious to discourage its growth in England's plantations. But James also needed money and was interested in securing revenue from duties on imports of tobacco into England. Some doubt, however, seemed to exist under the charter granted to the Virginia Company in 1609 whether Virginia and Bermuda tobacco could be required to pay import duties. Furthermore, although James, in an effort to compromise between his distaste for tobacco and his need for revenue, had set an import quota, the Virginia and Bermuda colonists instead of turning their attention to more acceptable products, were simply sending their tobacco to the European continent where no one seemed to be very fussy about its use.

TOBACCO TRADE REGULATION

Anxious to secure the revenue from import duties and to block off direct trade between America and the continent, the Crown finally came to an agreement with the tobacco growers. They would agree to pay an import duty and to ship all tobacco to England; in turn they would enjoy a virtual monopoly of the English market. England's early efforts to regulate the tobacco trade thus were undertaken for fiscal reasons. James I needed revenue and saw in the control of tobacco one way of acquiring it.[2]

After the outbreak of civil war in England in 1640, government efforts to regulate the tobacco trade broke down. Dutch ships began to appear in American ports and were soon engaged in a thriving trade between the colonies and the continent. This trade was clearly to the advantage of the colonists. Their tobacco was no longer forced to go to England before re-export to the continent, and because of the economic dislocation in England, the prices which they paid for continental manufactures were probably cheaper than those for English goods.

During the Commonwealth, efforts were made to bring the direct trade between the colonies and the continent to an end. Recognizing that trade was a mainspring of economic and military power, Oliver Cromwell set out to break Holland's commercial leadership. In 1651 he guided through Parliament a navigation law designed to force the Dutch out of the carrying trade between England and her colonies. The law restricted all trade between England and her colonies to

[1] Richard Hakluyt, "Discourse on Western Planting," Chapters II and IV, printed in *Documentary History of the State of Maine,* volume II (Cambridge, 1877).

[2] George L. Beer, *The Origins of the British Colonial System 1578–1660* (New York, 1908), 112, 113; Lawrence A. Harper, *The English Navigation Laws* (New York, 1939), 35.

English-owned ships manned by English crews, English to include persons living in England's overseas possessions as well as those at home. The Act of 1651, unlike the earlier regulatory attempts of the Stuarts, was written not primarily to produce revenue but to strengthen the commercial and naval power of Britain.

After the restoration of Charles II in 1660, England began the systematic development of a policy of economic nationalism. A struggle for commercial power was already under way on the continent, and England's efforts to maximize the benefits accruing to her from the possession of colonies came partially in response to the policies of her continental rivals. They came also because the capture of Jamaica from the Dutch in 1655 had produced increasing pressure from English merchants for a tighter control of colonial trade.[8]

TRADE AND NAVIGATION ACTS

To this end Parliament began in 1660 to enact a series of laws called the Acts of Trade and Navigation. Written to promote the economic strength of England and to develop her seapower, the Acts were the fulfillment of the mercantile program urged by Hakluyt two generations before. The law of 1651 limiting the carrying trade of England and her colonies to English ships manned by English crews was re-enacted.

The government also undertook efforts to regulate the flow of trade. Certain enumerated products, including sugar and tobacco, could be shipped only to England or to another colony. If shipped to another colony, these enumerated commodities were required to pay a plantation duty equal to the impost paid on the same commodity in England. Collected at the port of export, the plantation duty was designed to eliminate the profit of shippers who tried to evade the requirement of sending their produce to England by shipping first to another colony and then directly to the continent. On the goods which were sent to England, import duties were collected at the port of entrance. If, however, the goods were later re-exported to the continent, a substantial amount of the duty was returned, for the purpose of the enumerated commodities clause was not to produce revenue for the Treasury but to channel control of the colonies' export trade into the hands of English merchants.

The act excluding foreign shipping from the carrying trade and prohibiting the export of certain commodities except to England or to another colony became law in 1660. Three years later Parliament passed legislation regulating the import trade into the colonies. With a few exceptions all exports from the continent had to go first to England and pay import duties before re-export to America. While most of the duty was returned upon shipment to America, the requirement that continental goods be landed in England benefited the English merchant and at the same time provided a competitive advantage to English manufactures.

During the century which followed the Restoration, the regulation of trade and the means of enforcement were expanded and tightened in response to changing needs. The system of enforcement was overhauled in 1696 and vice-admiralty courts were established to try violators. Bounties were offered on colonial products such as indigo and naval stores which were considered important to the economic well-being of the empire. The list of enumerated commodities was expanded; and the manufacture of woolens, hats and wrought iron, which were thought to threaten the competitive position of English products, was restricted in the colonies.

For most of the legislation controlling trade which was passed by Parliament between 1660 and 1760 the objective was constant: the strengthening of the economic vitality of England and of the empire as a whole. The colonies depended upon England for survival, for without her they lay at the mercy of the French and Spanish. England in turn depended on the colonies for much of her trade. Writing in 1650, before enactment of the law

[8] Charles M. Andrews, *The Colonial Period of American History*, volume IV: *England's Commercial and Colonial Policy* (New Haven, 1938), 51, 52.

barring foreign shipping from England's colonial trade, William Potter warned: "the more Trading doth Encrease in any place, the more *ships* multiply in that place . . . the more ships any Nation hath, the more strong they are at Sea." Eight decades later Viscount Bolingbroke declared: "Our trade is the sole and principal support of our Land."[4]

The colonies, so the mercantilist argued, were the key to England's commercial leadership. To enable England to reach and maintain that leadership they must channel their import, and in some cases their export, trade to her so that no other country would benefit from trading with them. Moreover, the colonies must be encouraged to produce those commodities which complemented the trade of the mother country and be discouraged from producing goods which were in competition with English manufactures. The colonies must not expect direct economic support from England and must even contribute to the national treasury by paying import and export duties on the shipment of goods in and out of England. Guided by such assumptions, the men who governed England from 1660 until 1763 worked to make England the strongest commercial and naval power in the world.[5]

FISCAL V. MERCANTILE ENDS

After the signing of the Peace of Paris in 1763 at the end of the Seven Years War, English policy underwent a significant reorientation. Although in the century that had passed since the Restoration fiscal considerations had played some part in the shaping of regulatory policy, those considerations had taken second place to the greater objective, the strengthening of commerce. On at least one occasion when the fiscal and commercial conflicted the fiscal had given way.[6] But after 1763, while policies continued to be developed which were supposed to promote mercantile ends, fiscal considerations, as in the days of the early Stuarts, became the most critical determinants in the making of policy.

As a result of the Seven Years War, England had acquired a staggering debt. The war had also brought about the transfer of title to Canada from the French so that England was now in undisputed control of all the North American continent east of the Mississippi River. The burden of debt and the need felt in England to establish a permanent garrison of 10,000 soldiers in North America—a need which seemed very peculiar to many of the colonists who had never enjoyed the protection of permanent garrison troops when the French occupied Canada—presented a problem for the English government: this was to find some means of support for the garrison troops without increasing the tax rate at home.

Moreover, some Englishmen believed that the American colonies had failed to support the war to the fullest extent possible, and in some instances by trading illegally with the enemy had made the job of defeating the French more difficult. The fact that during the war the French had sometimes dined on colonial provisions while the English army was forced to import its food from home probably added to a growing conviction in the English government that the colonists should be required, not asked, to contribute to the support of troops stationed in North America.[7]

SUGAR, STAMPS AND TEA

In 1764, Parliament, acting upon the proposal of George Grenville, the Chancellor of the Exchequer, passed the Sugar Act. Under the provisions of the new law duties were placed upon foreign refined sugar and wine imported directly from the Azores and southern Europe. The amount of the duty withheld on foreign manufactured goods re-ex-

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[4] William Potter, *The Key to Wealth* (London, 1650), 77; Henry St. John Bolingbroke, *The Second Craftsman Extraordinary* (London, 1729), 13.

[5] J. F. Rees, "Mercantilism and the Colonies," *The Cambridge History of the British Empire,* volume I, *The Old Empire* (Cambridge, 1929), 561–564.

[6] George L. Beer, *The Old Colonial System* (New York, 1912), Part I, volume I, 101.

[7] George L. Beer, *British Colonial Policy 1754–1765* (New York, 1907), 109–113.

ported from England was increased and the tax on foreign molasses imported into the colonies was cut from six pence to three pence a gallon. While the Sugar Act cut the duty on foreign molasses in half, it also tightened up enforcement and brought to a halt the widespread evasion of the tax.

The most revolutionary clause of the Sugar Act, however, was that which proclaimed that the purpose of the act was to raise revenue. For the Sugar Act marked the first time that Parliament had enacted legislation to collect duties in the colonies for the explicit purpose of gaining revenue. Americans bitterly protested the act as an invasion of their rights as Englishmen to tax themselves; but the men who were guiding the destiny of the British empire had weathered bitter protests against taxes at home. Ignoring the storm signals flying across the Atlantic, they went confidently ahead with their plans to secure additional revenue from their American colonies.

Two revenue acts followed the Sugar Act. The first, the Stamp Act, passed in 1765 and requiring the purchase of a stamp for papers involved in any legal or commercial transaction, for newspapers, and for diplomas, stirred such angry opposition that it was repealed within a year. Less than two years later Parliament imposed taxes upon paper, paint, lead, and tea, all of which, except for the tax on tea, were subsequently repealed. Both the Stamp Act and the Townshend Duties of 1767 were specifically written to produce revenue. Both were protested by the colonists as an invasion of their rights as Englishmen.

The attempts by England to tax the colonies, coupled with the venality and capriciousness with which a new group of customs officials enforced the navigation laws, created a deteriorating relationship between the American colonies and England, a deterioration finally climaxed in the ill-fated legislation authorizing the East India Company to dump its tea in the colonies.[8] The Boston tea party followed and two years later the United Colonies declared their independence from England.

Did the Acts of Trade and Navigation and the English mercantile system contribute to developing American hostility after 1764 and the eventual break from the empire? A number of historians, who were themselves advocates of free trade, argued in the nineteenth century that they did.[9] Close scrutiny of what Americans were saying in the years which immediately preceded the Revolution, however, does not support this conclusion.

Some colonists in the seventeenth century, particularly the tobacco exporters of the South and the merchants of New England, had protested passage of the Acts of Trade and Navigation. Governor Berkeley of Virginia, for one, hoped that England's regulation of colonial trade would benefit the whole nation and not just "forty merchants." In 1675 the Reverend Increase Mather of Boston wrote in his diary: "Trade dead and the customs in Barbados and Virginia very pryjudicial [sic] to the Trade of this country."[10]

Yet, while opposition to England's regulation of trade developed immediately after Parliament passed the Acts of Trade and Navigation, by 1760 whatever general hostility had once existed seems to have died out. Benjamin Franklin, later to question some parts of the British mercantile system, wrote in 1754 that Americans willingly paid the secondary taxes imposed by the Navigation Acts, "though we have no share in the laying, or disposing of them."[11] There were of course occasional protests. The Iron Act of 1750 prohibiting expansion of colonial iron manufacturing stirred some comment, but the criticism was limited to the specific act and was not directed at the mercantile system as a whole.[12] Furthermore, except for

[8] Oliver M. Dickerson, *The Navigation Acts and the American Revolution* (Philadelphia, 1951) discusses at length the capriciousness of British customs personnel in the colonies before the American Revolution.

[9] George Bancroft was one. See Dickerson, *op. cit.*, 271,302, 303.

[10] William Berkeley, *A Discourse and View of Virginia* (London, 1665), 6, 7; *The Diary of Increase Mather,* Samuel Green, editor (Cambridge, 1900), 5.

[11] *The Writings of Benjamin Franklin,* Albert H. Smyth, editor, volume III (New York, 1907), 236.

[12] Arthur C. Bining, *British Regulation of the Colonial Iron Industry* (Philadelphia, 1933), 70.

the extensive violation of the six pence duty on foreign molasses imposed by the Molasses Act of 1733, most American merchants seem to have traded within the limits of the law.[13] Speaking to Parliament in 1774, Edmund Burke remarked that before the passage of the Sugar Act the colonies were "confirmed in obedience" to the Acts of Trade and Navigation "even more by usage than by law."[14] Burke's statement probably is a fair statement of the situation which existed before 1764.

ACCEPTANCE OF MERCANTILISM

Acceptance of the mercantile system continued during the turbulent years which followed passage of the Sugar Act. While a few individuals questioned the legality of Parliament's right to regulate trade—James Otis asked in 1765: "Can any one tell me why trade, commerce, arts, sciences and manufactures, should not be as free for an American as for an European?"—their protests were outside the mainstream of developing hostility towards England.[15] Examination of resolves and resolutions passed by angry colonists, writes O. M. Dickerson in *The Navigation Acts and the American Revolution* "has failed to reveal a single one in which the commercial system in general was attacked, and none that even suggested a repeal of the Navigation Acts."[16]

Americans instead spoke longingly of the "old empire" which existed before 1760 when England regulated trade but left to the colonists the levying of taxes for revenue. Thus, in 1774 the First Continental Congress took the position that Parliament did not have the right to tax or to legislate for the colonies, then added:

> But, from the necessity of the case, and a regard to the mutual interest of both countries, we cheerfully consent to the operation of such acts of the British parliament, as are bona fide, restrained to the regulation of our external commerce. . . .[17]

The men who governed England, however, were as yet unwilling to contemplate this kind of an empire.

When the colonists accepted regulation of their trade, they accepted an economic burden which one historian calculates was running shortly before the Revolution somewhere between slightly less than $3 million and slightly more than $7 million per annum. The lower estimate alone comes within 16 cents per capita of paying all the expense of the federal government from 1791 until 1797.[18] Moreover, not only did the Acts of Trade and Navigation place a direct economic burden upon the colonies, but they also created a system in which specie was continually drained from America to England. Under mercantile policy this was supposed to happen; yet the perennial shortage of money in the colonies caused some economic hardship.

The manufacturers and merchants who lived in England of course did not have everything their own way. Attempts by English shipbuilders to persuade Parliament to prohibit shipbuilding in the colonies failed; nor did Parliament act upon the proposals that indentured servants leaving for America be required to wear felt hats or that servants and slaves in the plantations wear English wool.[19] But, when all things are taken into consideration, England benefited at the colonies' expense under the mercantile system established by the Acts of Trade and Navigation.

(*Continued on page 362*)

George Langdon's field of primary interest is colonial America. He is presently working on a history of Plymouth Colony and has received an American Philosophical Society grant for research in England this summer.

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[13] Lawrence A. Harper, "The Effects of the Navigation Acts on the Thirteen Colonies," *The Era of the American Revolution,* Richard Morris, editor (New York, 1939), 4.

[14] *The Speeches of the Right Honourable Edmund Burke* (London, 1816), I, 202.

[15] James Otis, *Considerations on Behalf of the Colonists. In a Letter to a Noble Lord* (London, 1765), 22.

[16] Dickerson, *op. cit.*, 129.

[17] *Journals of the Continental Congress,* volume I, 1774 (Washington, 1904), 68, 69.

[18] Harper, "Effects of the Navigation Acts," 37, 38.

[19] Andrews, *op. cit.*, 331.

Originally designed to protect manufactured goods and to raise revenues for the federal government, the tariff soon produced sectional divisions between protectionist-minded manufacturers of New England and the free trade-minded Southern cotton growers. "Because it was so largely exported, cotton could not be protected. On the other hand, high duties on industrial products raised the prices the South must pay for manufactures. If England was hampered in the export of factory goods to America, how could she buy cotton? Further, national revenue from the tariff was used for public improvements principally in the North."

The Abominable Tariff-Making 1789-1828

By Broadus Mitchell
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The constitutional convention of 1787 was called because of the many disabilities of the Confederation, as these had been suffered in the six years since the fighting war ended. Congress was unable to command a revenue or to regulate foreign and domestic commerce; these weaknesses were the chief causes of dissatisfaction. The two were linked, since indirect taxes in the form of import duties were generally preferred as a means of recruiting public revenue. Twice Congress had asked for sanction to collect, for a limited period, 5 per cent on the value of foreign products, with the addition of specific charges on a few items of luxury. Twice the supplication had failed.

Such national unity as was forced during the Revolution disintegrated in the practices of semi-sovereignty of the individual states. The most injurious manifestations of autonomy were the tariffs on foreign imports, and those imposed by a number of the states against one another. Their main purpose was revenue, but in some cases—notably Massachusetts and Pennsylvania—protection for state industries was an object. These rival exactions bred mutual jealousy and distrust, especially in states with inferior ports and few or no manufactures. In reckless greed the more commanding states harmed themselves, penalizing the entry of products which they regularly required from their neighbors. Boats bringing wood from New Jersey or vegetables from Connecticut were taxed at the wharves of Manhattan. Domestic commerce was frustrated, and foreign nations were unwilling to make trade treaties with Congress which separate states were at liberty to set aside.

A conference of commissioners under the paternal eye of George Washington at Mount Vernon in 1785 composed differences between Virginia and Maryland with such success that a representative commercial convention was called for Annapolis the following year. However, delegates from only five states actually attended. These were too few for trade agreement. In their disappointment those present boldly reported that a general meeting to revamp the Articles of Confederation was imperative, and set the date, May 14, 1787, at Philadelphia. Never

was the merit of naming in an invitation a definite time and place better illustrated.

Hence the right to lay and collect taxes, with minor reservations, and power to control foreign and domestic commerce became main features of the Constitution. They were foundation stones of the new national government.

Immediately the House was organized (April 8, 1789) it went into committee of the whole and James Madison moved to revive the impost (import duties) which Congress had proposed in 1783 and which all of the states, in some form, had approved. His principal object, now that the Union had "recovered from the . . . imbecility that heretofore prevented a performance of its duty," was to recruit revenue. This would permit return to "those principles of honor and honesty that have too long lain dormant." Secondarily he intended "the general regulation of commerce," which, however, "ought to be as free as the policy of nations will admit." The measure should be temporary and enacted with expedition in order to catch the spring importations. Madison recommended the minimum of controversy, but believed that the rates set earlier, both specific on particular luxury items and *ad valorem* on the generality of imports, might require alteration. He also added discriminatory tonnage duties—lowest on vessels built and owned in the United States, higher on those of nations with which we were in treaty, highest on ships of other powers.

Elias Boudinot of New Jersey approved, but urged that speed would be served by accepting the original rates. However, Alexander White supported his Virginia colleague (Madison) in the expectation that members needed some time to deliberate on suitable revisions, and for this purpose the committee rose.

Next day John Lawrence of New York pleaded earnestly for simplicity and dispatch. Debates on particular rates would invite delay, and the result would be uncertain since members lacked experience and knowledge to enter, in *ad hoc* fashion, into such complicated questions. Better set a single *ad valorem* duty. The measure should be temporary and, in the interest of administration, readily understood by everyone. Later careful investigation of "a subject of such magnitude" would permit the House to digest a wise plan. We are doubtless correct in believing that Lawrence was reflecting the hopes of Alexander Hamilton, who had sponsored Lawrence's election to Congress. While Hamilton was not named Secretary of the Treasury until five months later, he had peculiar solicitude and competence in this area. He expressed to several his desire that Congress, aside from providing emergency funds in order that the government might commence operation, should make haste slowly in planning customs revenue.

This was dependable advice which other friends beside Lawrence echoed, but their foresight was in vain. Thomas Fitzsimons of Pennsylvania, the state which furnished from this time forward the foremost champions of protection, was sure a scheme of greater duration, serviceable to "our agriculture, our manufactures, and our commerce," could now be devised. He successfully brought forward a list of some 50 articles of import, in addition to the few included by Madison, on which specific duties should be charged. Sumptuary taxes, as on carriages, were to raise revenue, but customs rates on most of his items—foodstuffs, wearing apparel, paper, and iron-mongery—were also "calculated to encourage the productions of our country, and protect our infant manufactures." Thomas Fitzsimons' colleague, Thomas Hartley of Pennsylvania, supported him with a regular protectionist speech.

Madison, the mover of the first proposition, which was familiar, uncomplicated, and planned as a present expedient, now betrayed the defect of his virtues. He reviewed the problem in its several aspects. He proclaimed his allegiance (à la Adam Smith) "to a very free system of commerce." He held it "a truth, that if industry and labor are left to take their own course, they will generally be directed to those objects which are the most productive, and this in a more certain . . . manner than the wisdom of the most

enlightened legislature could point out." He enlarged on the advantages of allowing every man and every locality to specialize in the output which was most advantageous, and to depend on unshackled exchange for other goods. He understood the objection of Thomas Tucker of South Carolina that tonnage duties favoring American ships would raise the shipping costs of exporters of agricultural staples. On the other hand, "by encouraging the means of transporting our productions . . . we encourage the raising them." Certain promising manufactures, already patronized by certain states, rightly demanded "the fostering hand of government" or they must be extinguished by foreign competition. As in other instances later, drawn in several directions, he could not resolve on his main course of action. It was hard for him to be wisely arbitrary. He ended by accepting the Pennsylvania enumeration of imports and agreed that politic duties on them should be the subject of study and discussion.

Of course members now presented in rapid succession the claims of industries in their states and localities to protection. The tradesmen and manufacturers of Baltimore in a petition cited the melancholy depression under which they suffered, the failure of state efforts to help them, and confidently begged from "the supreme Legislature of the United States as the guardians of the whole empire" such duties on all foreign articles which could be made in America "as will give a . . . decided preference to their labors." They appended a list of wares. Boudinot, though sensibly arguing for a mere stop-gap provision now, could not fail to recommend New Jersey glassmakers as eligible for benefits. Charleston, South Carolina, shipwrights, in contrast to the planters, wanted "a general regulation of trade, and . . . a proper navigation act . . . to relieve the particular distresses of the petitioners." If a permanent system was to be constructed, Benjamin Goodhue of Massachusetts must have duties on anchors, wrought tin ware, and wool cards.

Continuing protests of several, from different sections, that "we should not precipitate a business which . . . the committee at this time [is] incompetent to" went unheeded in the eagerness of others to improve the opportunity to shelter clamorous constituents. If any apology was needed, the import taxes which they entreated "may also contribute to the discharge of the national debt and the due support of Government." The presence among the members of merchants with requisite technical information offered sufficient equipment for plunging ahead with selection of imports and fixing of rates. Further, did not the existing duties levied by the states furnish a reliable gauge for national action?

SECTIONAL HOSTILITY

But it quickly developed that fools had rushed in. Practices of the states proved the worst guide. Not only were these inspired by local demand, but they were actually intended to work injury to the interests of neighboring commonwealths. Incompatibilities and outright hostilities now declared themselves. Thus a century in advance of General Hancock's dictum it was demonstrated that "the tariff is a local issue." The members of Congress had small experience in keeping the national good to the forefront. After the futilities of the Confederation, their heady new power was not matched by responsibility or experience. Prompt summoning of revenue was difficult enough, but the project became utterly vexing when it incorporated tariff protection to all areas of national production —manufactures, agriculture, and commerce.

Unsuspected complications inherent in attempts to satisfy some without alienating others became painfully apparent. The North-South antagonism constantly obtruded, and workers of the land in whatever section were at odds with mechanics who fabricated their raw materials. Fisher Ames of Massachusetts, with equal gifts of perspicuity and phraseology, demonstrated the "deadly wound" to the Eastern states "by an excessive impost" (8 cents per gallon) on molasses. The fisheries could not dispose of their refuse salt cod except to the West Indies for consumption by the slaves. For the broken fish, molasses was taken in exchange, and this was

the raw material of the rum distilleries. Country rum, if the price was raised, could not endure competition with the imported. Moreover, molasses must be considered in its two uses, as raw material of rum and as the common sweetening necessary to the poor of the northern states. A duty on molasses that would discourage drink must also reduce wholesome consumption as food. Further, if rum was to be penalized as pernicious, where were the breweries to produce the malt liquors deemed more desirable?

And so it went. Hemp would flourish in the South and prove a blessing to the cultivators of strong lands in western Pennsylvania, but if it was protected by import duty on the Russian article, what became of the rope walks and shipbuilders? We need not pursue the frustrating conflicts that beset the legislative innocents. This much has been told because it illustrates, at the very outset, the pulling and hauling inseparable from tariff-making throughout our history.

As approved July 4, 1789, this first act setting United States policy recited as objects the raising of revenue and protection of manufactures. Besides specific duties, the highest on carriages, all other imported merchandise was taxed at 5 per cent *ad valorem*. Goods brought in American-owned vessels enjoyed a 10 per cent discount of duties. The act expired in 1796. A few days later tonnage taxes were laid, discriminating heavily in favor of vessels American built or owned.

THE REPORT ON MANUFACTURES

The cobbled-together tariff of 1789 stood in contrast to the elaborately reasoned and documented scheme which Hamilton recommended to Congress in December, 1791. In the interval of nearly two years since the report was requested, Hamilton had prepared himself by a review of authorities and examination of replies from United States marshals and knowing friends in various sections from whom he had asked information on the progress of industries in their localities. The Report on Manufactures became to later generations the best known of Hamilton's state papers because it was the "arsenal" from which protectionists through the years drew their weapons of argument. This is in spite of the fact that of all of his proposals, that for governmental encouragement of industry resulted in no action at the time. Of several causes, the chief cause was the prompt, prosperous absorption of this country in export of foodstuffs and raw materials to Europe as the consequence of the outbreak of the wars of the French Revolution. For a generation, with interruptions, America became the great neutral carrier. Hamilton's factual exhibits became obsolete, except as illustrations, but his reasoning, which was the vivid feature of the report, has continued to challenge attention of both friends and foes of his policies.

Hamilton opened with persuasive argument for the utility of manufactures and for their nurture by protective import duties, bounties on production, and premiums for inventions. He would overcome if possible the existing strong preference in America for reliance on agriculture. This was due to our vast unexploited land resources, repugnance to diverting scarce labor to other pursuits, paucity of capital and industrial experience, and rural preoccupation of the people. Hardly less tangible was individualist objection to intervention of government in the economy. The Revolution had celebrated freedom; Americans abhorred British restraints on trade; and the let-alone (*laissez faire*) urgings of French philosophers and of Adam Smith's *Wealth of Nations* were acquiring prestige in this country. In rebuttal of these counsels Hamilton declared that the national government of our young country should adopt the policy of stimulating industry so as to produce a balanced economy. New enterprises should be shielded against foreign competition until they became established. Providing a home market for our raw materials was a powerful object.

For 15 years import duties were moved upward, but selectively, intermittently, and slightly. Beginning in 1807, as a result of the hostile decrees of Britain and France, United States trade with Europe, previously so flourishing, was interrupted by our embargo, followed in 1809 by the non-inter-

course act. Anticipating our need for greater self-sufficiency, since foreign imports were obstructed, various manufactures were extended. This development became emphatic during our second war with England, 1812–1814, when cotton mills, especially, multiplied. Francis Lowell, independently of English precursors, invented a power loom which he put in operation at Waltham, Massachusetts, in the first complete factory—cotton to cloth—in America. Most of the new plants, of whatever sort—making textiles, iron, gunpowder, paper—were crude and local. Many fell easy victims to the plethora of English goods dumped on our wharves when the war was over. Loaded vessels had been straining at their cables to sail off to markets in America. The wares were of better quality than we could produce, and often were auctioned at prices below what our makers needed to survive.

Widespread distress among struggling native industries focused demands for rescue by means of increased import duties. President Madison had recommended this and Secretary of the Treasury Dallas reported a classification like Hamilton's. Rates on goods with which we could supply ourselves should be practically prohibitory; rates on those in which we had made a good start should be lower, partly for protection, partly for revenue; and on imports which we could not produce duties should be for revenue only.

THE TARIFF OF 1816

The tariff of 1816 was introduced by one South Carolinian, William Lowndes, and supported by John C. Calhoun as a proper national measure. At this time Whitney's cotton gin had not divorced the South from manufactures. But a few years later, when this region was confirmed in cultivation of the staple, these advocates were to condemn the protectionist policy as oppression of the South by the North. Coarse cottons and woolens were on the way to filling our needs. They received a duty of 25 per cent *ad valorem*. Cottons had the additional benefit of a minimum valuation, a new device often repeated afterward. That is, all imported cottons, however cheap, were valued at 25 cents per yard, which rendered the duty nearly prohibitive, since India goods were really worth about 9 cents per yard. In spite of pleas of the middle states, only rolled bar iron (duties at $1.50 per hundredweight) received some protection. Louisiana sugar-growers were disgruntled at the 3 cents per pound accorded them, and opposed favor shown to the productions of other sections. Though this law of 1816 afforded far less protection than later acts, Daniel Webster, of Massachusetts, thought the proposed duties too high. At this date his state was more concerned with commerce than with industry. Later, when mill chimneys replaced ship masts along the coast, he obediently changed sides on the tariff issue. His shift was the reverse of that of the Carolinians.

Webster need not have worried. Hard times for American industries followed the tariff of 1816. British dumping here stimulated avid demand for the foreign goods. In 1815, we had repealed the wartime discriminating duty of 10 per cent on British cargoes. Customs collections rose from $7 million in that year to $26 million in 1816 and the next year they were $36 million. Most of our cotton and woolen mills closed down, some of them forever. Our iron furnaces and foundries could not avail themselves of coke, the superior fuel introduced in England. Bituminous coal was too distant from the mills, means of employing anthracite had not been discovered, so our ironmasters continued to depend on dwindling supplies of wood for charcoal. American production of iron bars declined, while imports from Britain and Scandinavia mounted.

Under these discouraging circumstances the preachments of Alexander Hamilton a quarter-century earlier for encouraging American industry were vigorously revived. Manufacturers for the first time organized widely to bombard Congress with memorials demanding relief. Principal apostles of protection were Mathew Carey, who poured out the many *Addresses of the Philadelphia Society for the Promotion of National Industry,* and Hezekiah Niles of Baltimore, whose

Register, the leading business journal, constantly proclaimed that distress of industry damaged agriculture and commerce. These men and their friends cried up the "American System"—rounded national development through protection to industry, internal improvements, and a home market for agriculture. The depression of 1819—the familiar postwar downturn, sharpened by excessive importations and abuses in currency and credit—intensified demands for government aid to the economy. In 1820, a bill smartly advancing import duties was passed by the House, but failed by one vote in the Senate.

THE TARIFF OF 1824

Backers of this measure, principally in the middle and at that time western states of Ohio and Kentucky, persisted and secured the act of 1824. This may be called the first tariff frankly designed to be protective, though claimants in industry and agriculture were not equally satisfied. The woolen manufacturers, in spite of manful efforts, were denied the device of the minimum which the cotton branch enjoyed. Coarse woolens formed the clothing of slaves, and the southern planters, now decidely opposed to protection, were not to be angered in the year of a presidential election. The slight increase in duties on woolen cloth were canceled by doubling rates on raw wool. The minimum valuation of cotton goods was raised but was of little service to American mills, now able to produce so cheaply that the low-priced English weaves were practically excluded.

An advance of the duty on forged iron bars from 75 to 90 cents was not sufficient to induce new investment, but increased the price to the consumer. Henry Clay, chief strategist in framing the measure, secured $35 a ton on hemp (important to his fellow-Kentuckians) and 3.75 cents a yard on hemp bagging. This was over the protests of New England shipbuilders who wanted cheap rope and planters who had demanded free entry of bagging that covered their cotton bales. Western farmers were most clamorous for a protected home market for their grain and raw materials.

Disappointment only hardened the determination of the wool manufacturers of New England to capture effective protection in a minimum valuation of the imported cloth. This was the object of their meetings in Boston in 1826. At the same time southern complaints of the tariff, on economic grounds, led to threats of disunion if the North persisted in the policy of fostering industry at the planters' expense. The "Woolens Bill" of 1827, energetically pushed by Massachusetts, by the device of minima, gave high protection (more than 80 per cent) to the most important grade of cloth, with similar benefit accorded to raw wool. However, politicians eager to make Andrew Jackson president instead of reelecting John Quincy Adams, appended additional duties on bar iron and hemp, favorable to Pennsylvania and Kentucky, but unwelcome to New England shipping interests. Thus encumbered, the bill passed the House but was lost by the deciding vote of Vice-President John C. Calhoun in the Senate.

THE TARIFF AND SECTIONAL CONFLICT

Both sides girded for prompt renewal of the contest. Protectionists held a widely attended convention at Harrisburg, Pennsylvania. More influential than the petition to Congress, calling for higher duties on materials and finished products of many industries, was the *Address to the People of the United States*. Prepared by the able and ardent advocate, Niles, and industriously publicized, this was a forceful argument for protection, supported by appropriate statistical

(*Continued on page 362*)

Broadus Mitchell has been on leave from Hofstra College during the past academic year to teach at the University of Puerto Rico. He formerly taught at Johns Hopkins University and at Rutgers University. Earlier this year, the second volume of Professor Mitchell's two-volume life of Alexander Hamilton was published, *Alexander Hamilton: The National Adventure* (Macmillan).

"Historians still debate the effectiveness of the protective tariff in stimulating United States industrialization," notes this specialist. Even those who do not assign tariff a major role "acknowledge that the Civil War and the government measures designed to promote industrialization did in fact accelerate that revolution, even though they did not cause it."

Tariffs and the Rise of Sectionalism

By WILLIAM G. CARLETON
Professor Emeritus of History and Political Science, University of Florida

IN THE period from 1830 to 1865 a most significant battle was fought in the United States between the existing agrarian-cotton-mercantile economy based on international trade and the new and upthrusting industrialism which emphasized home markets over foreign markets. This contest revolved around the various tariff acts of this period, but very often the actual making of the tariff depended more on the revenue needs of the federal government at the particular time than on whether the United States should stick to its international mercantile economy or veer to industrial nationalism.

THE MERCANTILE ECONOMY

The economy of the United States in 1830 was still largely agrarian. The United States produced agricultural and other raw materials that satisfied local needs and sent its surpluses abroad. In return for American cotton, tobacco, wheat, flour, corn, beef, pork, hides, naval stores and furs, the United States imported textiles, metals, hardware and earthenware from Britain and Western Europe; molasses, sugar, rum and coffee from the West Indies; specie and bullion from Mexico; indigo and coffee from South America; and silk, tea and spices from the Orient. Each year the United States usually imported more than it exported. Cotton was by far the country's leading export. In the 1830's cotton averaged around 43 per cent of the country's total exports, and by the mid-1850's it had risen to 54 per cent of the country's total exports. It was Southern cotton which redressed the balance of international trade for the whole country.

The basic fact of the international economy of this time was the economic alliance of the South and Britain, the dependence of the Lancashire textile mills, the very center of expanding industrial revolution, on American cotton. Southerners, always with an exaggerated fear that the British manufacturers would find other sources of raw cotton in Egypt and India, wanted above all to keep their British markets and they were convinced that they must take British manufactured goods in return. Moreover, they insisted that British goods were better and cheaper than goods manufactured in the United States. The South opposed the "artificial" stimulating of manufacturing in New England and the Middle Atlantic States by an American protective tariff. Southerners maintained that when the federal government enacted protective tariffs it was unfairly using the powers of government to build up one section of the country at the expense of another, interfering with the South's trade with Britain, forcing the South to pay higher prices for manufactured goods, and in effect endanger-

ing the whole mercantile economy of the country, which, Southerners maintained, was in the final analysis based on the cotton trade with Britain.

The South had much strength on its side. It could appeal to the Jeffersonian tradition of non-interference by government in the economy. The South represented the *status quo,* the whole complex of existing economic arrangements. It had powerful economic allies in the rest of the country. The Western farmers, although not so much of their produce went abroad as did the South's cotton and tobacco, were inclined at first to side with a free-trade economy. In Boston, New York, Philadelphia and Baltimore were the big importing and exporting firms, the commodity merchants and exchanges, the banks which lent credit to Southern planters, the insurance companies which insured ships and cargoes. All of these had vested interests in maintaining the existing international mercantile economy. The merchants who sold British goods in this country had similar interests. The ship builders, the shipping companies and the maritime employees, particularly strong along coastal Massachusetts, New Hampshire, and Maine, were naturally on the side of international trade. As late as 1856, around 75 per cent of American exports and imports were being carried in American vessels, and the era from 1845 to the Civil War was that of the justly famous American clipper ship.

Events in Britain in the 1840's also played into the hands of those Americans who wanted to maintain the mercantile economy. That country was in the process of eliminating the tariff and other restrictions on international trade which had been inherited from the past. In 1846, the Corn Laws, the British protective tariffs on agricultural produce, were repealed. An informed Englishman of this period would have explained Britain's complete switch to free trade in this fashion:

> We in Britain have a big head start in the industrial revolution. British manufacturers are far in advance of those of other countries in the use of machine and mass-production methods. No foreigner can possibly under-sell British manufactured goods in Britain itself. A British tariff to protect British manufacturers is needless. British manufacturers, thanks to their head start, are now rapidly forging ahead in world markets. They can out-compete the manufacturers of other countries even in the home territories of those manufacturers. But if we British are to continue to sell our manufactured goods to the rest of the world, we must buy the raw materials of the rest of the world. This will be no hardship; indeed, it will be to our advantage, for in the absence of British tariffs on foreign raw materials and foodstuffs, our manufacturers will get their raw materials cheaper and our factory workers will get their food cheaper.

With the repeal of the British Corn Laws, the Southern planters could say to the Western farmers:

> From now on your wheat, corn, beef, and pork will go to British markets without a tariff. Your trade with Britain will increase. Do you think it wise for us Americans to put a high tariff on British goods at the very time the British are doing away with all their tariffs? If we shut out British manufactured goods, the British will look elsewhere for their raw materials and their foodstuffs.

By this time, too, the free-trade economics of Adam Smith and David Ricardo had come to dominate the economic thought in Britain. Informed Americans were great readers of British books and periodicals, and many of them were impressed with the theoretical arguments for free trade. The *laissez-faire* economists stressed the importance of the law of comparative costs, which demonstrated that wealth is more rapidly accumulated when nations specialize in the production of those things for which they are "naturally" adapted, and exchange them in trade, than when they attempt to become self-sufficient and produce things for which they are not "naturally" fitted.

In the decade following Britain's repeal of the Corn Laws and the United States adoption of the low-tariff Walker Act (1846–1857), both Britain and the United States enjoyed a phenomenal prosperity, and free-traders pointed to this as a vindication of their policies. However, times of economic prosperity and of economic depression are the results of a great variety of operating forces, and it is misleading to point to any

one as the invariable or even the primary cause.

AN UPTHRUSTING INDUSTRIALISM

What were the forces behind the drive for a more self-sufficient and home-market industrial economy? Naturally at their head were those industries which could only with the greatest difficulties compete with British and European manufacturers for the American market—iron and metals and manufactures of metals (tools, implements, hardware), wool and woolens, cotton textiles, and leather, earthenware, glass, paper and wood products. Geographically, many of these industries were located in Pennsylvania, New Jersey and New York. Hardware was largely concentrated in Connecticut, and textiles were largely concentrated in Rhode Island and inland Massachusetts. (Massachusetts was thus divided between her maritime interests along the coast and her manufacturing interests in the interior.) Many of these home industries had developed during the War of 1812 when Americans were cut off from Europe, and it was argued that as "infant industries" they should be protected against their advanced British competitors until such time as they could stand on their own.

Here and there over the country were agricultural interests which felt they would benefit from a protective tariff. This was true of the wool, hemp and flax producers, particularly strong in Kentucky, and this explains in part the appeal of the Whig party in that state. The sugar planters of Louisiana vigorously favored a tariff which would discriminate against Caribbean sugar growers, and this is why the Whig party was generally stronger in Louisiana than in any other state of the deep South.

An argument for a protective tariff system which had strong general persuasiveness was that Americans should not be dependent on foreign nations for the vitals of war and other basic needs. During the War of 1812, Americans had been deprived of necessities and comforts by the British blockade, and many Americans felt they must never again be caught in such a situation. Economic independence, the argument ran, was as important as political independence, and protective tariffs should be used to stimulate basic industries until the nation achieved a safe degree of industrial independence. It was also argued that America's natural resources lent themselves to industrialization, and that in the long run it would be uneconomical to neglect their development. The United States, it was contended, should not be content to remain a producer of raw materials when it might become a diversified nation of agriculture, extractive industries and manufacturing.

It was Henry Clay who put together a unified program for a diversified economy based primarily on a large and an expanding internal national market. Clay labeled his program "the American System." This called for the building of American industries by federal protective tariffs and the linking of the entire country by a network of internal improvements—roads built at government expense, and canals and later railroads built by private enterprise and subsidized by the state and federal governments. Enterprisers would thus find consumers in all parts of the country and profits in mills, factories, canals, and railroads; labor would find employment in the new enterprises; and farmers and planters would find new industrial outlets for their raw materials and expanding markets for foodstuffs in the growing cities. In the 1830's, 1840's, and 1850's, Clay's American System was more attractive to business enterprisers than it was to planters, farmers, and wage-earners, but during the Civil War and the decades that followed, it displaced the agrarian-cotton-mercantile economy and became the dominant economy of the nation.

In 1833, there was a lowering of the tariffs, and in 1837 there was a financial panic followed by years of hard times; again in 1857 there was a lowering of the tariffs, and a few months later the panic of 1857 struck the country. Protectionists argued from this that any lowering of the tariffs dislocated business and caused economic disaster. This argument took root in some American minds, but in fact it grossly distorted highly complicated

economic situations composed of many elements. Most economists would maintain that tariff changes had little or no part in producing either the panic of 1837 or that of 1857.

THE WEST TAKES SIDES

In the clashes over the tariff, the cotton and tobacco South and the maritime areas of New England were ranged against the protectionists of Pennsylvania, New Jersey, New York and the industrial areas of New England. The farmers beyond the Alleghenies, in the old Northwest, held the balance of power. At first they were more inclined to the South and low tariffs. They sold much of their corn and pork to the expanding cotton plantations of the Southwest. Their produce moved in flatboats on countless streams to the Ohio and the Mississippi Rivers and thence down to Memphis, Natchez, and New Orleans. Some of their cash crops and produce went to England and Western Europe, most of it by way of New Orleans. After 1846, their produce entered British markets duty free.

However, with the building of roads, canals, and then railroads there was a gradual diversion of Western trade from the South to the Northeast. An increasing amount of Western raw materials and foodstuffs went to manufacturers and consumers in Eastern cities, and—developing more slowly—an increasing amount of Western produce went to Europe by way of Eastern ports. East and West were being drawn more closely together.

Nevertheless, on the vitally important question of the disposition of the public lands, East and West were kept apart. Eastern industrial interests wanted a protective tariff, but, seeing their communities drained of labor and population by migrations to the West, they also wanted the federal government to hold down its Western land sales and keep prices high. But most Westerners ardently favored liberal land policies, the selling of public lands to individuals at low prices, and the preemptive right of an actual settler (squatter) to buy "his" land at the minimum price. In effect the West said to the East:

> If the government lowers its prices for public lands it will draw less revenue from that source, and then for fiscal reasons it will have to increase the tariffs. Why not strike a bargain with us? We will support higher tariffs if you will support lower land prices.

For a time the Eastern protectionists refused to yield and sought to have both high tariffs and high land prices. They supported Clay's plan to distribute to the states the federal proceeds from the sale of the public lands, which would have kept land prices high, drained off to the states these federal revenues and forced higher tariffs to make up the deficiency. At the same time they bribed the Western states with federal land monies with which those states could subsidize internal improvements. However, this did not satisfy the Westerners; their main interest was in cheap and even free lands.

Finally, in effect, a compromise was made. The East gave in on land policies in return for Western support of high tariffs. In 1841, the Pre-emption Law gave the actual settler the preferential right to buy the land he had occupied at low prices, and in 1842 the tariff rates were raised.

Many Westerners would have preferred both low tariffs *and* cheap lands, but they found it increasingly difficult to work with the Democratic party, for in the 1850's that party came more and more under the control of the cotton planters, who opposed liberal land policies in the fear that the Western territories would be peopled with anti-slavery migrants and that land values in the older parts of the country would be depressed. In 1860, President Buchanan, in deference to Southern sentiments, vetoed a homestead act. At the same time, the growing Republican party, successor to the Whig party, was putting together Eastern elements favoring a high protective tariff and Western elements favoring a homestead act that would *give* public lands to actual settlers. In 1860, Lincoln was elected President on a platform promising a high protective tariff and a homestead act. Thus the bargain was struck, and East and West were brought together.

Under the Tariff Act of 1828 the average

rate on dutiable goods was 41 per cent. Under the Tariff Act of 1832, passed in the Jackson administration, the average rate was reduced to 33 per cent. The chief reason for the general reduction in rates was the accumulating surplus in the federal treasury. However, the interests vitally affected by protection were treated about as favorably as they had been in the Act of 1828. Although the Democratic party contained more anti-protectionist elements than the Whig party, the Democrats had within their ranks some protectionist groups, particularly strong in Pennsylvania, and Jackson himself was always a pragmatist on the tariff question. The Act of 1832 had the general support of the Clay Whigs, but Southern Whigs were divided, and Whigs from commercial districts in New England opposed it. Chief opposition to protection came, as usual, from the cotton states and the maritime interests of New England.

TARIFF LEGISLATION

It was the Act of 1832 that caused South Carolina's famous nullification in 1833. South Carolina asserted her state "sovereignty" and threatened to prevent the collection of all customs at her ports. South Carolina took the lead in opposition to the developing protective tariff system for a number of reasons. She had an outstanding political general in John C. Calhoun. South Carolina was the oldest of the cotton states, and her planters were feeling the pinch of competition from the planters of the newer cotton states of the Southwest. Charleston resented the rise of New Orleans to preeminence. South Carolinians blamed the decline of their fortunes on the tariff acts of 1824, 1828, and 1832. Besides, because of the prestige of Calhoun, the state's small size, and the inbred social contacts of the state's planters, who gathered each year at Charleston for the winter season, South Carolina was peculiarly united in its point of view.

To prevent the crisis from getting out of hand, the Compromise Tariff Act of 1833 was passed. Sponsored by Henry Clay, the nation's foremost protectionist leader, it had the tacit support of Calhoun and was generally acceptable to both political parties. It enlarged the list of goods which could come in duty free, and provided for a gradual reduction of customs on all dutiable goods until, in the year 1842, the rates would be pegged at a general level of 20 per cent. Thus the nullification of South Carolina reversed the trend toward higher protective duties which had set in following the War of 1812. It should be emphasized that little South Carolina alone could not have accomplished this. What happened was that South Carolina's nullification aroused all the supporters of the agrarian-cotton-mercantile economy to pressure for a lowering of tariff rates on the ground that this was necessary to preserve the peace of the Union, and Clay stepped in to insure that the reductions were most gradual.

The Tariff Act of 1842, which again revised the duties upward to an average of 33 per cent, was passed by a Whig Congress elected in the Whig landslide of 1840, during the hard times following the panic of 1837. Even so, it was not nearly so protectionist as Clay desired, because President Tyler, who had succeeded President William Henry Harrison when the latter died in office, was a Southern Whig and not a protectionist Whig, and he refused to go along with the high rates desired by the majority of his party. However, Tyler signed the Act of 1842 because the continued hard times required that the government obtain more revenue to meet its expenses. Morover, in order to get the higher rates of 1842, the Whigs were compelled to give up Clay's short-lived distribution among the states of the federal proceeds from the federal land sales and to meet the West's demand for liberalized land laws by passing the Pre-emption Act of 1841.

In 1846, the Polk administration, with Democratic majorities in both houses of Congress, succeeded in passing the low-tariff Walker Act. Polk was more of a free-trader than Jackson had been, although during the Presidential election of 1844, with an eye to Pennsylvania's electoral vote, he had written his famous Kane letter in which he left the impression that his position on the tariff was

like that of Jackson. The Walker Tariff widened the free list and reduced the average rate on dutiable goods to 26.5 per cent. The rates were to be applied not on a specific basis, as heretofore, but on an ad valorem basis, that is on the value of the goods. The rates on cotton cloth were set at 25 per cent, and the rates on other goods around which the protective controversies revolved were set at 30 per cent. This tariff represented a moderation of the protectionist principle and not its abolition. The Walker Tariff was passed in July, just a month after the repeal of Britain's Corn Laws. For the 15 years that followed, the North Atlantic countries came closer to international free trade than at any time in history. This was the Era of Manchester Economics, the closing years of America's agrarian-cotton-mercantile economy.

At the height of the prosperity of 1857, just before the economic crash that came later that year, tariff rates were reduced still further. Even under the moderate rates of the Walker Act, the federal treasury was overflowing, due to the great prosperity, and there was general demand for tariff reduction. Duties on the goods of the chief protected industries were reduced from 30 per cent to 24 per cent. This was the final trade victory of America's ante-bellum economy.

TRIUMPH OF THE INDUSTRIAL ECONOMY

In March of 1861, the Morrill Act, the first of high Republican tariffs, became law. The new Republican party, successor to the Whigs, had just a few months earlier won the election of 1860 and elected Lincoln President on the platform of prohibiting slavery in the territories and giving the country a high protective tariff and a homestead act. Seven Southern states had already seceded from the Union. With their delegations absent from Congress, it was easy for the Republicans to push through a higher tariff. Besides, the continued hard times following the panic of 1857 justified higher rates, for the federal treasury needed some relief.

During the Civil War, the customs were pushed higher and higher until in 1864 they stood at an average of 47 per cent, paid on a specific and not on an ad valorem basis. These were the highest rates, up to then, in the nation's history. The Republicans, committed to high protection, were in power. The delegations of the 11 Southern states that had seceded were out of Congress and could impose no brakes. And equally important, the dire necessities for revenue to meet the costs of the War required drastically high taxes of all kinds, including the customs.

The Civil War destroyed the old mercantile economy. The whole complex of interests that had sustained that economy suffered disastrously as a result of the War: the cotton planters, the ship builders, the merchant fleet, and all the exporters, importers, commodity merchants, credit agencies, and insurance companies dependent upon the international cotton trade. In 1861, registered American tonnage in foreign trade amounted to 2,496,894 tons but by 1865 it had fallen to 1,518,350 tons. The percentage of American exports and imports carried by American ships dropped in the same years from around 67 per cent to 27 per cent. The cutting off of the South's cotton trade with Europe during the war was the main reason for these precipitate descents, but there had already been some decline in American shipping in the years immediately preceding the war because of the encroachments of Britain's growing merchant fleet of iron steamships on the American merchant fleet of clipper sailing vessels.

During the decades which followed the Civil War, the country moved steadily to higher and higher tariffs and a national in-

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After 30 years on the University of Florida faculty, **William G. Carleton** retired in the fall of 1961 to devote full time to writing, research and lecturing. Presently he is engaged in revising and enlarging his book, *The Revolution in American Foreign Policy,* and in research on particular aspects of the history of American political parties, with special attention to politics as art and the politician as artist, under a grant from the Social Science Research Council.

"Indications are that the industrialization of the nation would have proceeded at pretty much the same pace without the questionable stimulus of the tariff," writes this historian, who points out that after World War I "the future of our foreign trade . . . [was] contingent on the adoption of a liberal tariff policy."

Protection and Industry: 1866-1919

By Theodore Saloutos
Professor of History, University of California

The period since the Civil War and on down through the First World War was characterized by high protection, fluctuating foreign markets, and a triumphant industrialism that had thrust agriculture into a subservient position within our economy. The low tariff policy of the ante-bellum years had been reversed and the United States was embarked on a protectionist course that ran counter to that of the major European nations.

Some rather significant changes took place. As the industrial capabilities of the United States increased and our dependence on Europe for the products of her factories and heavy industries diminished, a noticeable shift occurred in our import-export trade. The European nations reacted by raising tariff barriers against American products and diverting agricultural purchases away from the United States to nations that were willing to accept their manufactured goods in exchange. They unleashed a blistering attack against American goods that found their way into the European markets. World War I brought an abrupt and temporary change in this trend as the war-torn nations of Europe were compelled by necessity to turn to the United States for credit, food, industrial products and various other needs.

The crude and discriminatory duties of 1864 remained in force when peace was restored. As a matter of fact the protected industries accepted these duties as permanent features of the economy even though the internal duties imposed on the producers during the war had been removed, and the revenue needs of the federal government had declined. Once the general public had become conditioned to these levies, it was relatively easy for Congress under the stress of political pressure to raise them to still higher levels. As a result, the philosophy of protectionism that had been nurtured by wartime conditions was retained and periodically reinforced more stringently.

Meanwhile, England and the nations of western Europe, as a means of encouraging their industrial growth and foreign commerce, pursued a policy of free trade or low protection. This more or less assured an insatiable market for the products of the American farmers, and credit for the purchase of goods and services that were required to accelerate the industrialization of the United States. There seemed to be no serious objection to American protectionism so long as the United States continued to import her manufactures from abroad.

It is relatively clear that political influence rather than national welfare conditioned our tariff policy during these years. The South, the stronghold of tariff opposition, was eliminated from the political picture for more than a decade after the Civil War. Industrial and

protectionist forces within the Republican party provided a controlling influence.

The general strategy of the protectionists appears to have been as follows. The industrialists built up a solid phalanx of support among themselves by rarely opposing each other's appeal for protection, which gave them the appearance of a united front. The farmers were handled in another manner. For a time they were placated with the passage of the Homestead Act of 1862. When this lost its political charm, the umbrella of protection was extended to include agricultural commodities. In the cases of wool, sugar, and dairy products, some real benefits were conferred; and the loyalty of these producers was gained. But in the cases of export crops such as wheat, rye and barley, the results were highly dubious. Still the inclusion of these latter crops was comforting psychologically to a degree, and this helped disorganize the ranks of the agrarian opposition.

As industrialism spread and the number of wage-earners multiplied, the protectionists made direct appeals to labor for support in maintaining their level of "high wages." The tariff was also identified with "the full dinner pail." The argument was that if you denied the tariff to industry, the American worker would in turn suffer from foreign competition; unemployment would rise; wages would fall; and American workers would be reduced to the pauper levels of Europe and Asia.

Public apathy and the deterioration in morals contributed to this high tariff policy. Men elected to high office proved unworthy of the trust that the voters placed in them. The influence of the speculators was strong and the power of the lobbyists brazen. Few congressmen thought it improper to become affiliated with enterprises that their votes could affect. The conflict of interests was taken lightly. Fewer still hesitated to support measures that would line the pockets of influential constituents.

ARGUMENTS FOR PROTECTION

The arguments advanced on behalf of protection were numerous. One of the most popular was that the tariff would promote the industrial and hence the best interests of the nation. Protection was equated with industry, industry with prosperity, and prosperity with the national interest. It promised to develop the natural resources of the country, encourage new industries and stimulate old ones, and bring about a high degree of economic diversity. The farmers who comprised the largest segment of the nation's population would benefit from the increase in industrial production and the growth of cities for this would create a greater demand for the products of the soil. By the very same token the wage-earner would profit from the greater employment opportunities, high wages and a rising standard of living.

These arguments were repeated with such regularity that even those once skeptical accepted them as gospel truth. The Republicans naturally gloried in the accomplishments of their party and claimed the allegiance of all who believed in protection, prosperity and patriotism. Protectionists filtered into the ranks of the Democrats, but not to so great an extent as into the Republicans.

FREE TRADE ARGUMENTS

Those advocating a low tariff and even free trade challenged the claims of the protectionists. They charged that high tariffs injured the nation by diverting industry from natural to artificial and hence costlier production, promoted monopolies, compelled the consumers to pay higher prices, and placed fatter profits in the pockets of the privileged groups. As a rule foreign nations retaliated through the passage of higher tariffs and inspection laws aimed at the products of the United States, and furnished bounties and subsidies to their own manufacturers and ship-builders to thwart American trade.

The low tariff and free trade elements, besides denying the validity of the protectionist argument, claimed that their policies would create a healthier flow of trade between nations, stimulate production, encourage competition, bring lower prices to consumers, promote friendlier relations between countries, check the flight of American capital to foreign nations, and add to general prosperity.

Astute politicians considered tampering with a tariff a form of political suicide and managed, as a rule, to avoid the issue, leaving the matter pretty much to amateurs who released volumes of oratory, but achieved precious little in the way of tangible results. Efforts to revise the tariff usually ended as revisions upward instead of downward; the most celebrated case being that of the Payne-Aldrich Act of 1909.

Even though protectionism reigned supreme for approximately half a century, several abortive attempts were made to encourage reciprocity between nations and even to lower tariff schedules. Reciprocity, especially with the Latin American countries, was advocated by James G. Blaine, but without much success. Lower tariffs were strongly recommended by Grover Cleveland, William Jennings Bryan, the perennial office-seeker, and Woodrow Wilson, whose efforts finally bore fruit.

The Underwood Tariff Act of 1913 was of considerable significance. Besides reversing a tariff policy that had been in operation for about 50 years by bringing about substantial reductions in schedules, it made possible the accumulation of much valuable information that was put to good use by the law-makers, and brought in more revenues than had been anticipated.

FOREIGN TRADE, 1866 TO 1913

All this, of course, does not obscure the fact that a flourishing trade was conducted with the European nations in the decades after the Civil War, and that the protectionists claimed credit for this and everything else that fared well with the American economy. But more basic to all this were the increases in our population and the number of our purchasers, the westward movement, the bountifulness of our resources, the inability of our manufacturers for a time to keep up with our domestic demands, and the seemingly limitless market for our agricultural products in the United Kingdom and western Europe.

The gains in the export trade after 1870 were pronounced, and they remained at a fairly high level until about 1900. The principal exports were the farm products of the West. By 1900 more than 34 per cent of our wheat crop (grain and flour), and 10 per cent of our corn was sent abroad. Cotton ranked next in importance, and in some years it even exceeded the grain exports in value. Between 1870 and 1900 from 59 to 82.5 per cent of the annual crop found its way abroad, demonstrating that the cotton export trade was the chief source of profit for the South. Meat products followed in the order of their significance. Pork led the field and even exceeded beef which was better suited to the American than to the foreign market.

PRODUCTS AND MARKETS

By the late nineteenth century, our foreign trade began reflecting the changing complexion of the American economy. Hardware, rails, locomotives, engines, boilers, sewing machines, cash registers, typewriters, and other iron and steel products came into greater prominence during the 1890's. The widespread use of electricity saw a rapid increase in copper exports after 1890. Oil exports grew from nothing in 1859 to more than $75 million in 1900. Still other products entering the foreign markets included lumber, leather and leather goods, coal, cotton manufactures, oil cake, vegetable oils, farm implements and chemical drugs.

Even though manufactures were figuring more prominently in our foreign trade, agricultural exports still comprised about 61 per cent of the total at the end of the nineteenth century. These percentages were lower than for the 40 year period prior to the Civil War when farm exports usually exceeded 80 per cent and seldom dropped to less than 75 per cent.

Equally significant was the drop in the relative export value of farm to non-farm commodities. This resulted from the marked increase in the export value of the manufactured products rather than from any actual decrease in the value of farm exports. Meanwhile, the value of manufactured exports rose from 12.5 per cent in 1880 to almost 32 per cent of the total in 1900.

Our reliance on the European market was

clearly established. Between 1866 and 1900 the proportion of goods marketed in Europe ranged from about 75 to 86 per cent of all exports, the peak being reached during the 1880's. In 1900, the value of our trade with the United Kingdom, our best customer, was about $527 million, and with Germany, our second best customer—almost $185 million. Trade with Belgium, the Netherlands, Austria-Hungary, Denmark, Norway and Sweden likewise increased, but American products made little or no headway in Russia.

On the other hand, our commerce with the countries of southern Europe—except for Italy—was literally at a standstill. This can be attributed to the poverty of the people, the undeveloped character of their economies, high tariffs aimed at American goods, and language barriers that made it difficult to penetrate the markets of these countries.

Our trade in the western hemisphere was mostly with Canada, Mexico and Argentina. Our exports into Canada increased as transportation facilities improved, settlers poured into the western provinces, and the influence of the Hudson Bay Company declined. However, the growth of our trade with Canada was offset by the shrinkage in our commerce with the West Indies and Central American countries. Relations with Mexico were dormant until the 1890's when the volume increased, while the insignificant advances in Argentina laid the foundations for a greater expansion during the twentieth century.

For a time the Far East and, to a lesser extent, South Africa offered some promise. A little progress was made in Japan and China, and a special "trade dollar" was coined for the Orient that contained slightly more silver than the Mexican dollar. Trade with South Africa grew after the gold discoveries and the outbreak of the Boer War.

In the import trade the most significant development was the decline in manufactures which in 1850 accounted for 70 per cent of all imports, but in 1900 had fallen to about 24 per cent of the total.

Imports that remained relatively important included sugar, coffee, tea, cocoa, fruits, nuts, wines and spirits. Sugar easily was the leading single import of this group of goods, while the greatest increases were in the products of the tropical and sub-tropical countries. Imports of diamonds, precious stones, woods, ivory and comparable products obtained from the colonies of Britain grew, but not in a volume sufficient to offset the decline in manufactured goods. In 1900, the European nations furnished somewhat less than half of the total imports. Goods that gained entry into the United States included raw materials, and tropical and sub-tropical foodstuffs that did not encounter prohibitive tariffs and hostile American industries.

The early years of the twentieth century and those on down to the outbreak of the First World War saw a continuation of this trend. By 1913 general manufactures constituted about 49 per cent of all exports, with iron and steel products leading all manufactures.

DECLINE IN FARM PRODUCTS

This much discussed decline in farm exports that occurred during the 15 years prior to the outbreak of the war has been less appreciated by Americans than the great upswing in exports that occurred during the closing decades of the nineteenth century. The reasons for this oversight may be attributed to the fact that the shrinkage in the total exports was less significant than the drop in cereals and meats. Cotton and tobacco exports actually rose during these years, while rice, cottonseed oil and cake, fresh, dried, and canned fruits maintained or increased their volume. The steady growth in cotton and tobacco exports emphasized the dependence of Europe on the southern states for staples which her own farmers were unable to produce.

The European nations, in retaliation for our diminished industrial purchases, turned to Canada, Argentina and Russia for grains; to Argentina for meats; and to Australia and New Zealand for sheep and dairy products. In other instances they raised the tariff or levied embargoes for presumed sanitary reasons. In France and Germany, national policy or political reasons prompted the adoption of a program of self-sufficiency. By scaling the

duties on imports, the European agriculturalists would be protected from American competition and encouraged to produce products they acquired from abroad. Most keenly felt was the loss of the British markets.

WORLD WAR I

The sudden outbreak of war in 1914 had a tremendous jolt on our export trade which had been carried largely by English and German vessels. With the outbreak of hostilities, these merchantmen were commandeered into the services of their respective countries, blockaded by the enemy or sunk. As a result, American shippers were left without carriers to haul their goods or they hesitated to earmark shipments for belligerent ports even if the vessels were available. This brought trade to a standstill which, in turn, had immediate repercussions on the American economy. Many Americans believed that our commerce and industry were going to collapse along with that of the warring powers.

Past wars showed that neutral countries that produced large quantities of military and civilian needs enjoyed a flourishing trade. But for reasons that almost defy explanation, few Americans at the time seemed to realize that the United States was on the threshold of a gigantic wave of industrial, agricultural and credit expansion. By early 1915 the more discerning saw that the United States was destined to rise to still loftier economic heights, even though this was going to be accomplished at a tragic cost of lives and property.

Serious manpower shortages in all belligerent nations, the drastic decline in the agricultural production of the Central Powers, and the entry of Turkey into the war on the German side eliminated her as an important source of supplies for the Allies. Meanwhile, the clearing of German submarines from the Atlantic Ocean paved the way for greater exports from the United States.

Large-scale borrowing enabled the Allies to purchase huge quantities of grains and supplies from the United States. Beginning in 1915 the requisitions of the British for manufactures were stepped up, in part because of the availability of American credit and because of the capability of American industry. Simultaneously, trade also rose with the neutral countries that formerly purchased their requirements from Great Britain. As a result, our export trade climbed from $2,364,000,000 for the fiscal year 1914 to $6,290,000,000 for the fiscal year 1917. In short, the resurging export market produced by the war brought prosperity to all sections of the country: to the East because of its industries, to the West because of its foodstuffs, and to the South because of its cotton.

Exports rose to record levels during 1918 and 1919 because of the critical demands of the Allies, the availability of public and private credit in the United States, and the eventual elimination of controls over foreign exchange. The bulk of the demand was for the products of the farm—and this played a substantial part in the postwar boom—but the sale of manufactured goods was equally brisk at least for a time. Of some consequence were the pressing requirements of war-stricken Europe.

When peace was restored, protectionist sentiment was very strong. The resurging strength of the Republican party, the threatened restoration of the pre-war channels of trade, plus the emergence of new areas of competition for the products of the farm, quickened the clamor for higher tariffs. The war itself furnished a form of protection for manufacturers that even the most effective tariffs had been unable to provide, and whetted the appetites of these groups for a continuation of protectionist benefits.

CONCLUSION

Authorities are generally agreed that the effects of protection on our economic growth

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Theodore Saloutos was a Fulbright Professor at the University of Freiburg, Germany, 1959–1960. He is the author of *Farmer Movements in the South, 1865–1933, They Remember America* and *Agricultural Discontent in the Middle West, 1900–1939.*

Following World War I, United States tariffs reached unprecedented high levels in the United States. The effect of these high tariffs on United States agriculture and industry and on international trade in the midst of worldwide depression is examined below. This specialist observes that "the increase in the American tariff system generated vigorous protests from all over the world; by 1928 more than 60 countries had, in retaliation, raised their tariffs."

High Tariff and World Trade: 1920-1932

By Victor L. Albjerg
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The last casualty of World War I was idealism, and the first reflex of the ensuing peace was isolationism. Most Americans had entered the war in the mood of Paul en route to Damascus; they had returned in the temper of Achilles sulking back to his tent. They had had enough of Europe. Many of them rued our involvement in the war, and resolved never to enter their country in what they called a second saturnalia of blunders and humiliations. European statesmen, they believed, were diabolically clever and took a Mephistophelian pleasure in hoodwinking Americans.

While many Americans abhorred Europe and Europeans, they also exalted their own country and its people. With a self-anointed superiority they maintained a Pharisaic holier-than-thou attitude:

> Clean-limbed American boys are not like others,
> Only clean-limbed American boys have mothers.

Many Americans also assumed a policy of national aloofness. They thanked God for the Atlantic Ocean, and wished that He had made it wider. They felt about Americans as an old English noble viewed his class:

> We are the chosen few,
> All others will be damned.
> There is no place in heaven for you
> For heaven must not be crammed.

And to prevent human congestion in the United States Congress passed the Immigration Act of 1924 which admitted only the "chosen few."

The conviction of the majority was to exclude not merely foreigners, but also the products of foreign countries. The farmers were the first to be protected, because the end of the war also terminated their affluence. Farm income in the United States in 1913 stood at $6,336,000,000. It reached its peak in 1919 at $16,111,000,000, but in 1920 slumped to $11,467,000,000. Worse followed. By 1920, in 15 corn and wheat states 8.5 per cent of the farmers had lost their farms through foreclosures or by surrendering them to their creditors.

To bring relief to the distressed country folks the Republicans who had just come to power passed the Emergency Tariff Act which imposed high duties on sugar, wool, wheat and meat. Since these commodities, with the exception of sugar, were the chief exports of American farmers a tariff on them would offer scant relief.

The Emergency Tariff Act did not bring agriculture back to "normalcy," for the plight of the farmer continued. Low prices on what he sold and high prices on what he bought confined him in the economic scissors; for many there was no escape except flight

from the homestead, and in 1922 more than 2 million farmers abandoned their establishments for the cities. These evacuees were replaced by 880,000 people from the cities; but the shift still left a human deficit of 1.2 million farmers.

President Harding and his cabinet believed that "God intended the middle class to be rich," and that protective tariff was the legerdemain to effect that conjuration. This conviction should have startled no one, for President Harding's cabinet owned or controlled some $600 million. The most opulent of the team was Andrew Mellon, who was Secretary of the Treasury under three presidents; in that capacity, "three presidents served under him."

The Republican majority in the House of Representatives shared the cabinet's enthusiasm for tariff legislation. Nicholas Longworth, Speaker of the House, maintained that it would be preferable to forego the debt owed to the United States than to open the American market to foreign producers, while Joe Martin confessed that "If I had been Demosthenes I could not have reversed the powerful Republican sentiment in the House."

The reponse to this clamor was the Fordney-McCumber Tariff Act of 1922 which imposed the highest schedules until then in American history. The Administration, however, hoped that the Tariff Commission, which was authorized to recommend to the President the lowering or raising of the tariff rates not to exceed 50 per cent, would neutralize the bill's defects. It failed to effect improvements, for in the period from 1922 to 1929, on its recommendations, 32 schedules were increased, and only 5 were lowered.

The increase in the American tariff system generated vigorous protests from all over the world; by 1928 more than 60 countries had, in retaliation, raised their tariffs. There were some Americans who joined the ululation of protests. As European customers of American agricultural commodities imposed restrictions upon further imports, our farmers felt the pinch. Furthermore, when Europeans were handicapped in selling in the American market they were reluctant to buy from American producers. Likewise, American banks bulging with gold hestitated to lend money to European borrowers, who, because of loss of market, might not be able to repay. Some bankers, therefore, lacked enthusiasm for high tariff.

SMOOT-HAWLEY TARIFF

The disaffections did not disconcert tariff proponents. Shortly after President Hoover entered the White House the Smoot-Hawley Bill was introduced on April 15, 1929. After prolonged consideration it was passed on June 17, 1930, despite the fact that Professor Paul Douglas, president of the American Economics Association, drafted comprehensive criticism of the bill and sent it to the committee in charge of the bill with the signatures of 1,038 other economists. The strong protests of more than 30 European countries were likewise ignored.

The Smoot-Hawley Bill hoisted American tariff schedules to new heights. It provided for higher duties on more than 800 commodities covering a wide variety of products in both industry and agriculture. It increased the tariff on dutiable goods on an average of from 39 to 59 per cent. From 61 to 63 per cent of our imports came in duty free.

Even before the passage of the Smoot-Hawley Bill, depression had descended on most of the world, and especially upon the United States, where its virulence was increased by retaliation of other countries. Very soon after the passage of the Smoot-Hawley Act France, Italy, Spain, Mexico, and Cuba raised their rates, and within a year China, Lithuania, Brazil, India and Peru enacted retaliatory measures. The decline in American exports from $4.013 billion in 1930 to $2.91 billion in 1931, though resulting mostly from the depression, was caused in part by these counter measures of our former customers.

These strictures were not confined to counter-tariff legislation, but embraced many other devices. The most widely practiced was the imposition of the quota system which imposes specific ceilings upon the quantity

of any particular commodity which a country would accept.

Miscellaneous handicaps to the free flow of exports consisted in the interference with the importation in various countries of books in English protected by American copyright. Import restrictions were imposed upon drugs on the claim of protecting health; products manufactured by prison labor were excluded to shield industry.

Whatever may be said for or against the Smoot-Hawley Tariff, it did not prevent the United States from going deeper into the depression nor recovering more slowly than other industrial countries.

VOLUME OF INDUSTRIAL PRODUCTION
Per Cent of 1929

	1929	1930	1931	1932	1933
France	100	100.7	89.2	69.1	77.4
Germany	100	88.3	71.7	59.8	66.8
England	100	92.4	83.8	83.8	86.1
U.S.S.R.	100	129.7	161.9	184.7	201.6
U.S.A.	100	80.7	68.1	53.8	64.9

Exporters from other countries protested that the high American tariff practically excluded their products from our markets. They contended, furthermore, that since they could not sell to us, they ultimately would be unable to buy from us, a situation which would be injurious to everyone. Therefore they urged a lower tariff.

Simultaneously Europeans insisted that our favorable balance of trade, especially since 1916, had given the United States a vast reserve of gold. Of the world's horde in 1929 of $10,306,165,000, the United States had $3,900,160,000 or almost 40 per cent. France ranked second with $1,633,402,000, England, third, with $709,269,000, and Germany, fourth, with $543,838,000, while Japan was fifth with $411,770,000. This ratio was characteristic of the period from 1920 to 1932 excepting for the increasing horde in France where, it was claimed, there was a pot of gold under every manure pile. Our commercial and industrial competitors contended that the disproportionately large American gold reserve prevented them from making their fair share of purchases in the world market, a situation which also narrowed the American market.

INVISIBLE INCOME

This was by no means a full account of the ledger, for despite American tariffs all European countries profited from invisible incomes which ran into enormous sums. By 1930, England's foreign investments of $15 billion and France's of $2 billion yielded handsome dividends, which augmented their buying power.

Each year tourists with pockets full of travelers' checks, especially from the United States, converged upon Europe. From 1920 to 1929 American tourists spent $4.5 billion more abroad than foreign tourists spent in the United States.

The remittances of immigrants in the United States to relatives in their homelands constituted another balance of payments. In 1929, the Bureau of Foreign and Domestic Commerce estimated that remittances from 1919 to 1929 from American immigrants to their relatives in Europe amounted to $4 billion, twice as much as German reparations from 1925 to 1930.

Still another invisible income enjoyed by the maritime powers of Europe were the fees which shipping companies collected for freight and passenger services. In 1923, despite Britain's loss of more than 2,000 ships during World War I, it still had 18,857,277 tons of shipping, France had 3,180,477, and Germany already had recouped to 2,434,555, while the United States had 12,238,195 tons. By 1929, these merchant fleets had been increased by approximately 8 per cent. The earnings of the British merchant marine in 1928 amounted to $1,314,900,000, those of the French came to $150,000,000 and Germany's, slightly less than the French.

During the period after World War I, London and Paris were still important financial centers, and insurance companies drew premiums from all over the world to add to their countries' purchasing power. London and Paris banks also collected commissions for the

After a "year of indecision," the Roosevelt administration supported Cordell Hull's efforts to ensure a "program of bi-national agreements for mutual duty reductions which would not require senatorial ratification." The result was the successful Reciprocal Trade Program which permitted lower trade barriers, although it was not a "free trade scheme. . . ."

Reciprocal Trade in the New Deal

By ROBERT E. BURKE
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FOREIGN TRADE and tariff policies played an important but rather complicated role in the Franklin Roosevelt administrations. To Secretary of State Cordell Hull, Tennesseean and unreconstructed nineteenth century liberal, tariff policies were absolutely central, for "lowered trade barriers" constituted a panacea for most of the world's troubles. While the President was never willing to put his hope for freer world trade at the very center of his immediate policy, it is clear that he shared at least some of Hull's thinking *for the long run*. After a year of indecision at the outset of his Administration, the President put his support behind the Secretary's reciprocal trade agreements program, the most important single aspect of trade and tariff policy of the era. And the President never withdrew that support, in spite of the coming of the Second World War and the drastically changed character of foreign trade.

The historian finds it convenient to divide the era of F.D.R. into two periods: Depression, 1933–1939; and War, 1939–1945. The major problem of the first was that of economic recovery, while that of the second was national defense. The years 1939–1940 he tends to see as a period of transition from the one to the other. In the case of foreign trade and tariff policy this division seems particularly useful. Perhaps the best way to proceed with this brief discussion is to examine the developments of policy in the Depression period, and then turn to the changes necessitated by the coming of the war.

FRANKLIN ROOSEVELT AND THE TARIFF

Roosevelt was a Bourbon Democrat of the North by family heritage, and thus he came naturally to a belief in the value and justice of lowering trade barriers. He had considerably less concern for manufacturing, as such, than he had for agriculture or commerce. His education in economics and his coming to political manhood in the midst of the Progressive period reinforced his tendency to believe that lower tariffs in the United States would be good for the American consumer, for the *efficient* American producer, and for the welfare of the people of the world in general. The "Iowa Idea" of lowering tariffs to cut costs to consumers and producers, thereby automatically solving the problem of concentration in industry ("the tariff is the mother of trusts") was very much in the air at the time.

This idea, over-simplification that it was, sank very deeply into F.D.R.'s consciousness. The passage of the Payne-Aldrich Tariff, with spectacular log-rolling over the protests of the leading middle western progressives, came the year before Roosevelt was first elected to the New York legislature. The Underwood

TARIFF RATES ON SELECTED ARTICLES IN THE ACTS OF 1913, 1922 AND 1930[1]

Article	*1913*	*1922*	*1930*
Raw sugar 96° centrifugals			
Full duty	1.26¢ per pound	2.21¢ per pound	2.50¢ per lb.
Cuban duty	1.005¢ per lb.	1.76¢ per lb.	2.00¢ per lb.
Cattle under 700 lbs.	Free	1.50¢ per	2.50¢ per lb.
Cattle over 700 lbs.	Free	1.50¢ per	3.00¢ per lb.
Milk	Free	2.50¢ per gal.	6.5¢ per gal.
Cream	Free	20¢ per gal.	56.6¢ per gal.
Butter	2½¢ per lb.	8¢ per lb.	14¢ per lb.
Wheat	Free	30¢ per bu. of 60 lbs. Later raised to 42¢ per bushel	42¢ per bu.
Oats	(6¢ per bu. of 32 lbs.)	15¢ per bu.	16¢ per bu.
Lemons	(½¢ per lb. in bulk or in pkgs. exceding 5 cu. ft.)	2.0¢ per lb.	2.5¢ per lb.
Pig Iron	Free	(75¢ per ton. Later raised to $1.125 per ton)	$1.125 per ton
Manganese ore	Free	(1¢ per lb. of contained manganese in excess of 30%)	1¢ per lb. of contained manganese in excess of 10%
Tungsten-bearing ores	Free	(45¢ per lb. of contained tungsten)	(50¢ per lb. of contained tungsten)
Fir, spruce, hemlock, pine and larch lumber	Free	Free	$1.0 per M feet
Long staple cotton	Free	Free	7¢ per lb.
Clothing wool, clean content	Free	31¢ per lb.	34¢ per lb.
Woolen blankets	25%	18¢ per lb. and 30% to 37¢ per lb. & 40%	40¢ per lb. and 40%
Woven silk fabrics	45%	55%	60%
(Silk clothing, not specially provided for)	50%	60%	65%
Brick	10%	Free	$1.25 per M.
Cement, hydraulic	Free	Free	6¢ per cwt.
Flax, straw	Free	$2 per ton	$3 per ton
Hemp and hemp tow	Free	1¢ per lb.	2¢ per lb.
Hides	Free	Free	10%
Sole leather	Free	Free	12½%
Shoes and boots	Free	Free	20%
Matches, not over 100 to a box	3¢ per gross	8¢ per gross	20¢ per gross
Olive oil	(20 to 30¢ per gal.)	7½¢ per lb.	9½¢ per lb.

[1] Abraham Berglund, "Tariff of 1930," *American Economic Review*, XX, 472.

sale of foreign bills of exchange. While these rates were not high, the volume of transactions netted them tidy sums. Banks from many countries of the world also maintained deposits in these London and Paris banks the earnings of which yielded the latter financial institutions additional incomes, and bolstered French and British buying potential. Because of adverse trade balances experienced by many of the European powers, they remained solvent and maintained a high standard of living thanks to these hidden streams of income. They could continue to buy abroad even though their balances of payments were adverse.

But even with all this income, in addition to their other assets, Europeans complained that our tariff barred them from selling freely in our market. There was some substance to their charge, for our favorable trade balance from 1920 to 1932 amounted to $12,029,191,000. Europeans reiterated their contention that unless they could sell to us they would be unable to buy from us. But this logic did not induce Congress to lower the schedules. Other expedients promoted trade. Bankers with an eye for dividends, upon further reflection, and industrialists with a craving for an outlet for wares believed that they saw a business opportunity. American bankers would loan money at high interest rates to prospective buyers who would absorb American industrial production. Following that thesis United States lending institutions advanced $15 billion in credit from 1920 to 1932, and Europe's purchases contributed materially to our flourishing economy. It was like "children playing store," except that the currency wasn't bogus. (See Table, "Balance of Payments of the United States, 1920–1929" which follows.)

Although the United States had become the world's greatest creditor nation it pursued the policy of a debtor country, striving to acquire ever larger accumulations of gold or credit balances.

BALANCE OF PAYMENTS OF THE UNITED STATES, 1920–1929[1]

(Annual Average of Balances in Millions of Dollars)

CREDITS		DEBITS	
Excess of commodity exports	1,062	Shipping and freight services	15
Interest and dividends	335	Tourist expenditures	433
War debt receipts	174	Immigration remittances, charity, etc.	474
Miscellaneous commodity and service items	14	Government transactions	44
		Gold imports	116
Short term capital movement	151	Currency imports	21
		Private long-term capital movement	576
		Errors and omissions in estimate	157

BALANCE OF PAYMENTS OF THE UNITED STATES, 1930–1933

(Annual Average of Net Balances in Millions of Dollars)

CREDITS		DEBITS	
Excess of commodity exports	408	Shipping and freight services	57
Interest and dividends	482	Tourist expenditures	414
War debt receipts	118	Immigration expenditures	178
Gold movement	15	Government transactions	76
Private long-term capital movements	55	Currency movements	40
Errors and omissions in estimates	184	Short-term capital movements	497

[1] Frank Whitson Fetter, "U.S. Balance of Payments," *Foreign Policy Reports*, May 15, 1936, pp. 59–60.

GERMAN REPARATIONS

In consequence of Germany's defeat she had obliged herself to pay $33 billion in reparations. The Germans never assumed this responsibility with any ardor, and by 1923 the Reparations Commission declared Germany in voluntary default. From this ensued the Dawes Plan, which established a schedule of payments supposedly on the basis of capacity to pay. Germany met her obligations punctually and in full, but on borrowed money. From 1925 to 1929 American bankers provided $1,315,692,000 or 41 per cent, the British, 15 per cent, the Dutch, 14 per cent, the Swiss, 12.5 per cent, the French, 4.8 per cent, and minor sums from smaller countries.

According to official German estimates, their country paid 67,673 billion marks in reparations. Official French accounting credits Germany with 21.4 billion marks. From the summer of 1940 to the end of 1943 Germany collected from France 36 billion marks.[1]

For Germany to have met her payments under the Dawes Plan she would have had to transfer 2.5 per cent of her national production. "Though heavy the burden would not seem to have been insuperable."[2] And our Allies, who had borrowed more than $10 billion from our federal treasury during and after the war, could have liquidated their obligations, for, in addition to their resources within their own boundaries, French and British citizens' investments in the United States exceeded their countries' obligations to our government. The French and British governments could have confiscated these investments and indemnified the owners with government bonds, but this would have entailed impositions of higher taxes which no government had either the courage or the inclination to do. Europeans were determined to maintain their standard of living as nearly as it had been in 1914, if not better. They even applied some of the proceeds of their borrowings to purchase consumer goods, and to balance their budgets.

[1] Lindley Macnaghten Fraser, *Germany Between Two World Wars*, p. 63.

[2] P. T. Ellsworth, *The International Economy, Its Structure and Operation*, p. 448.

Retaliatory measures against American tariff legislation induced American industrialists to open branch firms wherever their directorates believed markets available. A few were already being established in 1928, and by 1958 more than 3,000 companies had subsidiary plants outside the United States. The volume of business done by these firms in 1958 amounted to $30 billion, almost twice as much as the value of the goods exported from the United States in the same year. The manufacture of these goods had provided employment for more than one million men. Cheaper labor (in Japan 46 cents a day) propinquity of raw materials and markets in some cases were also influential factors in establishing United States companies overseas. This development had some adverse consequences for the American economy. Roughly it reduced American production to the amount that it increased that of the areas in which overseas branches were situated. It deprived the United States of markets which the branches satisfied and American labor of employment. It placed taxable wealth outside the reach of American jurisdiction.

THE GOLD STANDARD

World War I left Europe's financial structure in systematic chaos and organized confusion. Because of heavy financial expenditures, and unwise financing of the war, i.e., borrowing for almost the whole cost of the war, with the exception of England which defrayed 26 per cent through taxation, the currencies of all belligerents and some neutrals went off gold. In Austria, Hungary, Russia and Germany inflation became so acute that their currencies were repudiated. Prices in Italy increased 7 fold, in France 8 fold, in Britain 3.3 fold, and in the United States 2.7 fold.

(Continued on page 364)

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Tariff, with its substantially lower rates achieved by the vigorous and sustained use of presidential power by Woodrow Wilson, came while Roosevelt was Assistant Secretary of the Navy and a member of Wilson's team. This tariff act remained to F.D.R. a glorious example of what a strong president might accomplish in spite of entrenched private (or "special") interests if he were willing to devote enormous amounts of his time, energy and prestige to the task.

Roosevelt strongly criticized the Fordney-McCumber Tariff of the Harding period as a return to selfish old ways. He contended that this was further proof that the Republican party was incapable of acting in the general interest, and that it was turning its back on the problem of restoring world trade. For the rest of his life, although he was sometimes cautious in public, he was to contend that the 1921–1922 tariffs had materially contributed to the breakdown of world order by inviting retaliation by European nations.

Of course, the former Assistant Secretary and defeated vice presidential candidate could not speak for the Democratic party. And many important Democrats who still held office, such as Senators Thomas Walsh of Montana and Key Pittman of Nevada, were unswerving high protectionists. Indeed, the party's 1928 platform made its peace with the high tariff advocates, a peace that looked suspiciously like surrender to such traditionalists as Representative Hull. With the nomination for President of Governor Al Smith, a protectionist, and with Smith's designation of the re-tread Republican John J. Raskob as Democratic National Chairman, Hull and his colleagues could only look forward to 1932 for their revenge.

THE TARIFF IN THE 1932 CAMPAIGNS

Franklin Roosevelt's political star began to rise once more when he won the New York governorship as Smith went down to defeat in 1928. Following the Great Crash and the rapidly-ensuing coming of economic depression—one manifestation of which was a dramatic fall-off in foreign trade—1932 began to look like a wonderful year for Democrats. Franklin Roosevelt, triumphantly reelected governor in 1930, continued his heavy correspondence with Democrats all over the country and remained on friendly terms with the freer traders of the South and the agricultural Middle West, as well as with the protectionists of the Far West. In this period he exhibited a masterful agility at walking the political tight-rope, the tariff being only one of several issues where this is evident.

In his campaign for the Presidency in 1932, Roosevelt had first to win the nomination of his party. This involved getting two-thirds of the convention votes, something that might not have been possible had his opponents been able to unite, or had he not been able to construct an unshakeable coalition in the South and West, with some Eastern support. One of the key issues he managed to exploit was the tariff. He strove to placate the protectionists by emphasizing other things to them (notably, in the West, conservation and public works). He assailed President Hoover for signing the extremely protectionist Hawley-Smoot Tariff, contending that excessive trade barriers had been one of the causes of the depression and in particular had resulted in the loss of the market for American agricultural exports.

Cordell Hull, by this time in the Senate, played an important role in lining up Roosevelt delegates and keeping them loyal through the tense hours at the convention. And the Hull group had the satisfaction of seeing the party change its tariff position. The platform plank advocated: "A competitive tariff for revenue, with a fact-finding tariff commission free from Executive interference, reciprocal tariff agreements with other Nations and an international economic conference designed to restore international trade and facilitate exchange." It also condemned the Hawley-Smoot Tariff in terms reminiscent of F.D.R.'s earlier pronouncements.

Once nominated, Roosevelt had the much simpler task of defeating the unpopular "Depression President." Interestingly enough, Herbert Hoover seems to have given F.D.R. more trouble on the tariff question than anything else. By stressing the traditional argu-

ments in favor of protection, especially the "cheap labor" argument, the President was able to put his challenger on the defensive. At Seattle on September 20, Roosevelt already seemed to be backing away from the Hull position:

> This principle of tariff by negotiation means to deal with each country concerned, on a basis of fair barter; if it has something we need, and we have something it needs, a tariff agreement can and should be made that is satisfactory to both countries.

At Sioux City nine days later, he assailed the Hawley-Smoot Tariff as a basic cause of the depression, pledging that its "outrageously excessive rates" should come down. "But," he added ambiguously, "we should not lower them beyond a reasonable point, a point indicated by common sense and facts." By October 25, hard-pressed by Hoover, F.D.R. declared in a speech at Baltimore that "no tariff duty should be lowered to a point where our natural industries would be injured," and said that he not only opposed cutting agricultural tariffs but would make the tariff "effective" for agriculture.

While Roosevelt won the election by a wide margin, it could be foreseen that his foreign trade and tariff policies were not going to be simple. Clearly, foreign trade was related to the general malperformance of the economy. The new Administration's main problem would be to bring about recovery, but how trade and tariff policy would fit in was by no means obvious.

1933: YEAR OF INDECISION

Roosevelt's inaugural address made it quite clear that national action to bring about recovery was to have priority:

> Our international trade relations, though vastly important, are in point of time and necessity secondary to the establishment of a sound national economy. I favor as a practical policy the putting of first things first. I shall spare no effort to restore world trade by international economic readjustment, but the emergency at home cannot wait on that accomplishment.

The great Hundred Days which followed saw a rapid succession of legislative acts in response to presidential requests, but to the chagrin of Secretary of State Hull *there was no tariff legislation* and no request for any. There were implications for foreign trade in a number of measures, notably the Agricultural Adjustment Act (with its provision for the management of the "exportable surplus") and the Gold Clause Resolution.

Why was 1933 to be a year of indecision on tariff policy? Several reasons can be suggested, although the weighing of their relative importance is difficult. The President, however strongly he favored "lower trade barriers" as a goal, wanted to experiment with various short-run anti-depression measures first. Further, there was no consensus about foreign trade and tariff policies among F.D.R.'s principal advisors or among the Democrats in Congress; for every Hull there was at least one Raymond Moley, for every Daniel Roper at least one Rexford Tugwell. There was also a tendency at first to wait for the outcome of the World Economic Conference, scheduled for that summer in London.

Added to these considerations was the basic problem faced by Presidents since the Civil War—how to get lower tariff legislation through Congress in the face of entrenched "special" interests. Roosevelt certainly did not have all of Hull's faith in the wonder-working properties of a lower tariff; and with all the tasks he faced, the President did not want to invest a huge amount of his energy and time in a struggle which might well alienate important Democrats whose support he wanted.

The World Economic Conference in the summer of 1933 did not resolve the problem of foreign trade and tariffs for the Roosevelt administration. Hoover had committed the United States to participation in the conference, providing that it was agreed that the subjects of war debts, reparations, specific tariff rates and disarmament were to be avoided. While F.D.R. continued the commitment, and the United States entertained an important group of experts from abroad in the spring of 1933, the President chose the American delegation—except for Secretary Hull—with an almost whimsical disregard for

any coordinated policy. As the memoirs of Hull and Moley testify, a sense of direction was notably absent. When Roosevelt "torpedoed" the conference with an abrupt message on July 3, any hope for currency stabilization, general lowering of trade barriers, or anything else requiring international coordination vanished.

Hull, who seems not to have interested himself in anything other than his tariff reduction scheme, was forced to abandon a resolution calling for a general ten per cent lowering of duties when Senator Key Pittman publicly denounced his efforts. Pittman, chairman of the Foreign Relations Committee as well as delegate, was able to put over a silver agreement at the conference, a personal triumph if not a contribution to monetary stability. Roosevelt had kept his hands free to dabble with currency devaluation at the cost of considerable international ill-will. His decision was popular at home, and Hull, however miffed, did not resign as Secretary of State. Indeed, the protectionist Moley suffered even more humiliation than Hull did as a result of the "torpedoing," and soon left the State Department for good.

THE RECIPROCAL TRADE AGREEMENTS ACT

Secretary Hull, with his fervent belief in the value of a general lowering of trade barriers in the interest of peace and prosperity, continued his efforts in late 1933 and early 1934. His chief antagonist was no longer Raymond Moley, but now George N. Peek, former Agricultural Adjustment Administrator and now (of all things) head of a committee to coordinate foreign trade relations. Peek was an unabashed protectionist and proponent of the kind of hard bartering that Roosevelt had seemed to be hinting at in some of his 1932 speeches. As Hull put it in his *Memoirs*: "If Mr. Roosevelt had hit me between the eyes with a sledge hammer he could not have stunned me more than by this appointment."

Yet Hull was a formidable antagonist. And he had the good-will, if not the most *complete* support, of Secretary of Agriculture Henry A. Wallace. Wallace was as interested as Peek in doing something about agricultural surpluses, but he had more sophistication about the dangers of "dumping" surpluses abroad and about the capacities of foreign nations to resume large-scale imports of such products.

Hull was by now convinced that international agreements to lower trade barriers were not practical, and he re-doubled his efforts to persuade the President to support a bill in Congress to authorize the executive to enter into a program of bi-national agreements for mutual duty reductions which would not require senatorial ratification. By the end of February, Hull had his draft ready, and he secured the President's approval of it at a White House meeting attended by the top leaders of Congress, Wallace and (among others) Peek.

On March 2, Roosevelt sent a strong message to Congress asking for the authority Hull had been seeking. Understandably, the request emphasized the need to restore the export market, although it did admit that "American exports cannot be permanently increased without a corresponding increase in imports." It placed stress on the need for "rapid and decisive negotiation."

Hull took personal charge of getting "his" bill through Congress, testifying before committees in both houses and making full use of his very considerable prestige with the senior Democrats. The House of Representatives passed the act on March 20 by a vote of 274 to 111; the Senate approved it on June 4 by 57 to 33; the President signed it on June 12. As Hull put it in his *Memoirs*: "To say I was delighted is a bald understatement." His congressional opponents included the body of Republicans, generally more protectionist than Democrats and certainly more fearful of the delegation of power to the President, plus a significant group of high-tariff Democrats of particular weight in the Senate.

The Reciprocal Trade Agreements Act of 1934 was, technically, an amendment to the Hawley-Smoot Act of 1930. Under its provisions the President was empowered to negotiate agreements with foreign countries for mutual trade concessions, whenever he found

that the existing duties or restrictions were "unduly burdening and restricting the foreign trade of the United States." He was authorized to lower or to raise the 1930 rates as much as 50 per cent, although he might not make transfers between the free and dutiable lists. The "unconditional most-favored-nation clause" was to go into such executive agreements, and thus the advantages would spread and the tendencies toward special bilateral bartering would be minimized. The agreements as well as the act itself were to be limited to a period of three years, subject to renewal. The significance of this act has been well put by J. M. Letiche (in his *Reciprocal Trade Agreements in the World Economy*):

> The passage of the Reciprocal Trade Agreements Act marks the first time in American history that the fundamental economic advantages of foreign trade were clearly recognized in legislative form; that money is predominantly a mechanism of foreign commerce; that, in the final analysis, it is goods and services that account for the advantages derived from foreign trade; and that the expansion of imports through the reduction of American tariffs is an indispensable means of providing foreign countries with an increased supply of dollars to purchase American goods. If a country gets value in return for what it gives in value, there is no loss, but gain.

SIGNIFICANCE OF THE RECIPROCAL ACTS

It needs to be emphasized that the Hull program was not a "free trade" scheme, whatever the exaggerations of its supporters and enemies made it out to be at the time. The protectionists, in and out of Congress, were both vocal and well-organized, and Hull and his principal aide, Assistant Secretary of State Francis B. Sayre, had to proceed warily. The negotiations involved an interdepartmental committee, and interested groups had their chances to object. Hull did have the satisfaction of blocking his old foe George Peek, who had gone ahead with a tentative barter agreement with Nazi Germany. Peek was stopped in his tracks and virtually forced to resign from the Administration. And Hull had the pleasure of seeing his program win the mild endorsement of the Republican candidate for President, Alfred M. Landon, in 1936. An easy three-year renewal was secured from Congress in 1937.

By April, 1939, the United States had concluded trade agreements with 19 countries, 10 of them Latin American (involving chiefly lower duties on American manufacturing exports in return for concessions on United States duties on raw materials). Perhaps the most significant agreements were with Canada (1935; revised and renewed, 1938) and Britain (1938). These two agreements were exceedingly complex, covering more than 3,000 individual tariff items on which concessions were given and obtained. It is hard to assess the economic implications of the British agreement (as it is of so many New Deal activities) because of the coming of World War II in 1939, but it seems evident that these would have been important.

A glance at the statistical record of ad valorem duties (per cents) shows that the rate trend was downward, except for the period of the Roosevelt recession of 1937–1938 (see below).

Duties, Ad Valorem, 1933–1945 (%)

1933—53.58	1940—35.63
1934—46.70	1941—36.75
1935—42.88	1942—31.96
1936—39.28	1943—32.77
1937—37.80	1944—31.41
1938—39.30	1945—28.24
1939—37.33	

Source: *Historical Statistics of the United States, 1789–1945* (1949), p. 247.

Merchandise Exports & Reexports, 1933–1945

(value in billions of dollars)

1933—1.675	1940— 4.021
1934—2.133	1941— 5.147
1935—2.283	1942— 8.080
1936—2.456	1943—12.965
1937—3.349	1944—14.259
1938—3.094	1945— 9.806
1939—3.177	

Source: *Historical Statistics of the United States, 1789–1945* (1949), p. 243.

This indicates that the trend, in spite of the extremely difficult international situation, was toward a measure of "freer" trade, in so far as American tariff policy was concerned. The figures for merchandise exports and reexports show an upward trend, except for the recession period: from $1.675 billion in value in 1933 to a peak of $3.349 in 1937, followed by figures of $3.094 and $3.177 in the next two years. Merchandise imports rose from $1.433 billions in 1933 to a peak of $3.010 in 1937, falling to $1.950 in 1938 and $2.276 in 1939.

A final important series of data needs to be noted, as gold imports were an off-setting factor. These climbed from a minus $174 million (that is a net export) in 1933 to a plus $1.134 billion in 1934, never falling below $1 billion and reaching more than $3.5 billion in 1939. The balance-of-payments problem in the late 1930's is symbolized by the fantastic situation at Fort Knox.

FOREIGN TRADE, 1939–1945

The Second World War, and the rapid shift of the United States from neutrality to quasi-belligerency to full belligerency, brought a dramatic change in the foreign trade picture. Merchandise imports rose to about $2.5 billion in 1940, to $3.2 billion in 1941, thereafter varying from year to year, reaching slightly over $4 billion in 1945. Far more significant are the figures for merchandise exports and reexports: they rose from about $4 billion in 1940, to peaks of nearly $13 billion (1943) and $14.26 billion in 1944, then falling off to $9.8 billion in 1945, as the war ended. This area represents, particularly, the working of the great Lend-Lease Act of 1941. Ad valorem duty rates fell from 35.6 per cent in 1940 to about 32 per cent in 1942–1944, and then to a bit over 28 per cent in 1945.

The Reciprocal Trade Agreements program was continued by Congress through the war period, although not without bitter struggles. In 1940, the act was renewed for three years, but only after the Senate voted 44–41 against an amendment by Senator Pittman to require Senate ratification of all agreements, and voted 44–38 against an amendment by Senator Joseph C. O'Mahoney (Democrat, Wyoming) to require congressional approval of each. In 1943, Congress renewed the act for only two years, after extensive debate. In 1945, following the retirement of Secretary Hull and the death of Franklin Roosevelt, Congress not only re-

Merchandise Imports, 1933–1945
(value in billions of dollars)

	Total	*Free*	*Dutiable*
1933	1.433	.904	.529
1934	1.636	.991	.645
1935	2.039	1.206	.833
1936	2.424	1.385	1.309
1937	3.010	1.765	1.245
1938	1.950	1.183	.767
1939	2.276	1.397	.879
1940	2.541	1.649	.892
1941	3.222	2.031	1.191
1942	2.769	1.768	1.002
1943	3.390	2.193	1.197
1944	3.878	2.708	1.170
1945	4.086	2.737	1.349

Source: *Historical Statistics of the United States, 1789–1945* (1949), p. 247.

Net Gold Imports, 1933–1945
(value in billions of dollars)

1933—	(– .174)	1940—	4.744
1934—	1.134	1941—	.982
1935—	1.739	1942—	.316
1936—	1.117	1943—	.069
1937—	1.586	1944—	(– .845)
1938—	1.974	1945—	(– .106)
1939—	3.574		

Source: *Historical Statistics of the United States, 1789–1945* (1949), p. 243.

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Discussing United States trade policies during the past 17 years, this specialist observes that the "Kennedy approach" resembles our "past policy" because it too is marked by "adaptation to changing circumstances." These adaptations "have been influenced by the need to conduct trade policy as part of the broad foreign policy of the United States."

Trade Policies since World War II

By William Diebold, Jr.
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Some half dozen strands must be followed to get a reasonably full picture of American trade policy since the end of the war. The first, and biggest, American effort—to establish a comprehensive international organization and set of rules governing trade—failed. Yet out of that effort came a body which in spite of somewhat unsure political and economic foundations has played a major part in shaping multilateral trading relations within the free world.

Operating under extensions and amendments of the Trade Agreements Act first passed in 1934, the United States made substantial reductions in its tariff but then suffered a certain erosion of its policies. Another strand in the story is the exclusion from the tariff-reducing process of a number of important commodities. One of the most striking elements in the development of postwar American trade policy has been its adaptation, largely on foreign policy grounds, to the emergence of regional trading arrangements in Europe, and the new emphasis on the needs of underdeveloped countries.

The final stage in the story is the bold initiative taken by the Kennedy administration in late 1961 and early 1962 which both embodies some of the earlier experience and introduces measures that are new in scope and character.

When the war ended the United States and its allies were already well advanced in organizing for the postwar world economy. The United Nations Relief and Rehabilitation Agency, the International Monetary Fund, the International Bank for Reconstruction and Development, the Food and Agriculture Organization, and the United Nations with its Economic and Social Council were all either in action or almost ready to go. The obvious omission from the array was an organization and a set of rules concerned primarily with trade, the principal element in international economic relations. This was not, of course, an oversight. Public and private postwar planners had done much work on trade problems and a large number of proposals were in circulation.

It was a commonplace of these discussions that an agreement on trade was needed to crown the work of building the postwar world economy.

The problem was to work out concrete agreements. When they signed the Atlantic Charter on a battleship off Newfoundland in 1941, Churchill and Roosevelt called for "the fullest collaboration between all nations in the economic field" and said that their countries would "endeavour with due respect for their existing obligations, to further the enjoyment by all states . . . of access, on equal terms, to the trade and raw materials of the world. . . ." The qualifying words—which

in this case referred principally to the system of tariff preferences within the British Commonwealth and Empire created at Ottawa in 1932—were typical of the problems that were to plague trade negotiations throughout the postwar period; to be effective, an agreement should be firm, but to be accepted an agreement had to take adequate account of each nation's special interests.

THE ITO THAT NEVER WAS

Early in 1942, Article VII of the lend-lease agreement between the United States and Britain set the goals of later cooperation on trade: "expansion . . . of the exchange and consumption of goods . . . the elimination of all forms of discriminatory treatment in international commerce . . . the reduction of tariffs and other trade barriers . . ." The same language was later incorporated in agreements linking most of the allied nations. Conversations continued throughout the war, but it was not until the fall of 1945 that the next big step was taken. Then, when a major loan agreement was signed between the United States and Britain, the British gave their support in broad terms to a set of comprehensive trade proposals put forward by the United States.[1]

There followed a series of international conferences that finally, at Havana in March, 1948, produced a Charter for an International Trade Organization. The lengthy Charter laid down both principles and detailed rules for the reduction of tariffs, the eventual elimination of quotas, and the creation of conditions for the expansion of multilateral trade on equal terms. It set up rules for international commodity agreements and the governmental regulation of business practices that might restrain international trade. It recognized the need for governments to relate foreign trade policies to domestic measures to assure stability and full employment and it provided some of the elements of a code for private international investment.[2]

Although a few countries started the process of ratification, almost all waited for the United States before taking decisive action. For the ITO was primarily the result of American initiative and was imbued with the principles the United States had been advocating throughout the war. An important part of its impact on the world would result from American adherence to it.

In April, 1949, President Truman submitted the Havana Charter to Congress. In the spring of 1950, the House Foreign Affairs Committee held hearings but never reported a bill. In December, the President quietly announced that the Charter had been dropped. This was the end; no other countries pushed ahead on their own and the United States never again reopened the question of the Charter.

Part of the explanation of this reversal lies in changes in the world scene. The Korean War, the cold war, Nato and European reconstruction, all made the ITO seem less urgent than before. Shifts in American politics contributed, making it harder for the President to get congressional approval. The character of the Charter itself helped bring about the demise. The American negotiators had had a difficult task. Few countries besides the United States were in an economic position to carry out liberal trade policies right away. Having in mind the uselessness of agreements that only state aspirations, the negotiators had sought to be very realistic and specific, so the rules were accompanied by detailed exceptions for countries with balance of payments difficulties and other problems.

Drawing on another lesson of interwar experience, the negotiators had recognized the link between trade policies and measures governments would feel bound to take to insure domestic stability and full employment. The result was more uncertainty about the firmness of the pledges to reduce barriers and guarantee equal treatment. The effort to provide for international understandings on raw materials and cartels introduced further

[1] ". . . But its terms were the result of prolonged and difficult negotiations with the British." William Adams Brown, Jr., *The United States and the Restoration of World Trade: An Analysis and Appraisal of the ITO Charter and the General Agreement on Tariffs and Trade* (Washington: Banta Co., for the Brookings Institution, 1950), p. 54. This is the most detailed account.

[2] The clearest exposition of the charter, by its principal American negotiator, is Clair Wilcox, *A Charter for World Trade* (New York: Macmillan Co., 1949).

complexities. Finally, the investment provisions, which were added to the Charter at the behest of American business in the first place, had emerged from the negotiations in a form that appeared to offer few safeguards to investors and that seemed to some businessmen to make their problems worse.

As a result, the Charter was opposed not only by protectionists who would have objected to it in any case, but also by business groups who felt it was not liberal enough or was too one-sided in applying rules to the United States and exceptions to the rest of the world. Another kind of liberal opinion acknowledged the Charter's imperfections but argued that they reflected difficulties in the world that would continue to exist and that could be dealt with better with the Charter than without it. These latter counsels did not prevail and so the most ambitious initiative in foreign trade policy the United States had ever undertaken failed.[3]

A MOST USEFUL BY-PRODUCT

In order to get down to the business of concrete reduction of trade barriers, most of the governments involved in the ITO negotiations subscribed to a more modest instrument called the General Agreement on Tariffs and Trade (Gatt). At the same time that they drew up this agreement at Geneva in the summer of 1947, 18 governments negotiated an extensive series of tariff reductions. Though some of the bargaining was bilateral, all of the results were made multilateral by extending the concessions to all members under a most-favored-nation clause that was a central feature of the agreement. Its other major provisions largely paralleled those of the ITO Charter, as far as trade policy proper was concerned, but nothing was said about full employment, commodity agreements, cartels or investments. Gatt also differed from the Charter in that governments' obligations extended only to measures they could take by executive action, without the passage of legislation.

The original idea was that Gatt would be absorbed by the ITO. When the ITO failed to come into existence, many thought Gatt would die too, sooner or later. Instead, Gatt has become the center of free world trade cooperation. The agreement has been amended and revised; the membership has grown; multilateral tariff negotiations have continued—those at Annecy, France, in 1949 and at Torquay, England, in 1950–1951 were particularly extensive.

Most important of all, however, Gatt—or more exactly the governments that belong to it—has developed working procedures and rules which have not only made effective tariff negotiations possible but have also provided for adjustments, consultation, the settlement of disputes, and the accommodation of members' special problems without destroying the framework of general principles or setting in motion the debilitating process of trade retaliation. The price of this pragmatism and flexibility has been an inability to assure the full application of the principles at all times; departures from the rules have been tolerated. But the processes of negotiation and cooperation have been kept going.[4]

As more countries have come into a healthy economic position the exceptions made for them, especially those permitting import restriction and discrimination on balance of payments grounds, have been put aside. The result has been to make the principles more effective over a larger amount of world trade (a very high proportion of the free world's trade is carried on among Gatt members). When European countries formed first their Coal and Steel Community and then the Common Market, provisions of the General Agreement concerning customs unions, free trade areas and departures from the principles of equal treatment required them to justify their actions to their fellow members. Gatt became the sole established world forum where the effects of these measures of regional integration on outside countries could be systematically examined and debated.

[3] I have examined the process more fully in *The End of the ITO*, No. 16 of *Essays in International Finance* (Princeton University, International Finance Section, 1952).

[4] A good account of how Gatt has worked can be found in Raymond Vernon, *America's Foreign Trade Policy and the Gatt*, No. 21 of *Essays in International Finance* (Princeton University, International Finance Section, 1954).

The United States has participated in Gatt under the President's power to make executive agreements and in the tariff negotiations through the powers given him in the Trade Agreements Act. Congress has sometimes gone out of its way to make explicit that it did not endorse Gatt, but occasional efforts to end American membership have failed. The Randall Commission on Foreign Economic Policy recommended in 1954 that "the organizational provisions" of Gatt—never very clearly defined—should be renegotiated and embodied in a treaty which would be submitted for congressional approval. The Eisenhower administration put forward a bill for American membership in an Organization for Trade Cooperation intended to give Gatt a more permanent structure, but this was never acted on.

From time to time the United States has found itself in violation of Gatt provisions or has had to ask for exceptional treatment, for instance, when it imposed import quotas on certain agricultural products or withdrew most-favored-nation treatment from Czechoslovakia. Probably the greatest significance to the United States of belonging to Gatt has been the assurance of a multilateral framework for the shaping of international trade policies, our own and those of other nations. Some of the basic principles embodied in the ITO have been preserved and put into practice to a significant degree through Gatt.

THE TARIFF BARGAINING POWER

A good part of the history of postwar American trade policy lies in the extension and modification of the Trade Agreements Act which is the basis of the President's power to reduce tariffs in agreements with foreign governments. In 1945, the President's powers were increased by allowing the established maximum reduction of 50 per cent to be applied to duties already reduced since the original passage of the Act in 1934. This formula was kept through five renewals between 1948 and 1954, but in 1955 the President was restricted to a reduction of five per cent a year, a figure continued for another four years in the 1958 renewal.[5]

LIMITS ON TRADE POWERS

A series of steps from 1948 on altered the law to limit the President's use of these powers or to strengthen by other means the protection of domestic producers. The first Republican Congress to pass on the Trade Agreements Act, in 1948, introduced a provision requiring the Tariff Commission to determine in advance of negotiations the lowest level to which it thought each tariff rate could be reduced without hurting domestic producers. If the President went below this "peril point" in an agreement, he had to explain his action to Congress.

Since the mid-1940's, United States trade agreements have included an escape clause permitting the withdrawal of concessions if imports seriously damaged domestic interests. Since 1951, the terms of the escape clause have been determined by law and repeated changes have been made to make it easier for American producers to claim renewed protection. Almost every postwar renewal has involved substantial political struggles, especially between Congress and the President (of whichever party). Five times the delegation of power was limited to one or two years. The cumulative effect was to leave the future of American trade policy very much in doubt at the beginning of the 1960's.

Between 1945 and 1956, appreciable reductions were made in the American tariff, largely as a result of multilateral bargaining under Gatt.[6] Although statistical measurement is difficult, it appears that relatively little reduction was made between 1957 and 1962; (I have not yet been able to assess the importance of the most recent agreement in which the main bargaining was with the European Community). During the whole period, the escape clause was used with restraint.

[5] In the 1955 Act, the 5 per cent power expired each year if it was not used but the 1958 Act permitted a four-year agreement to be made anytime during the life of the law. Somewhat different provisions applied to very high or low duties.

[6] Price rises also contributed because they reduce the relative burden of specific duties which impose a fixed charge on each unit of quantity.

Out of 126 applications it acted on between 1948 and the spring of 1962, the Tariff Commission sent only 40 cases to the President. In 25 of these, Truman, Eisenhower or Kennedy refused to raise duties.[7] The 15 cases that were acted on led to increased duties on some important products, notably watches, bicycles, carpets and glass, and a quota on lead and zinc. Although frustrated applicants argue that the escape clause does not give enough protection, American importers and foreign sellers decry the uncertainties it introduces into the United States tariff.

OTHER BARRIERS

Other kinds of import barriers have also been imposed in the postwar period. Quotas limit imports of a number of agricultural products, often as a corollary of American price support programs. In the interest of domestic oil and coal producers, crude oil imports are held down under the national security amendment of the Trade Agreements Act. Buy American legislation dating from the depression has been markedly liberalized during the postwar period but still requires government agencies to give preference to domestic suppliers even when foreign goods can be had more cheaply.

Starting in the mid-1950's, Japanese sales to the United States of a number of products—most importantly cotton textiles—have been limited by export restrictions in Japan which, while nominally voluntary, are in fact the result of negotiations with the United States. A recent multilateral agreement on cotton textiles extends the same kind of arrangement to other low-cost producers of cloth and garments, notably Hong Kong, India and Pakistan. The agreement provides for a five per cent annual increase in imports, provided domestic markets are not disrupted, and should give some producers a better chance than they have had to sell to Continental Europe; but the driving force behind the agreement was the desire to reduce the pressure for stricter unilateral import controls in the United States.

Although the record is mixed, close observers are substantially agreed that over the last ten years there has been a distinct erosion of American trade policy. Legal restrictions on the President's power to reduce tariffs, political obstacles to the full use of the power he had, and positive action to impose new import restrictions have all contributed to this process. One of the best analysts of trade problems has described the situation pungently: "An unending series of little concessions to domestic pressures has turned our trade legislation into a group of ambivalent statutes which hamstring the President in any effort to reduce the trade barriers of the United States and which constantly threaten to force him to increase the existing restrictions on imports."[8]

A NEW APPROACH

President Kennedy proposes not only to end the stagnation of recent years in trade policy but to make a fresh start. The Trade Expansion Act of 1962, as submitted to Congress, would go further than any legislation proposed in the postwar period to enlarge the President's tariff bargaining power and limit the restrictions put on him by the peril point and escape clause provisions and their ilk. To be sure, the Act permits protection of domestic interests and to prepare for its passage the President made compromises with protectionism, as in the case of the textile measures. But the main emphasis of the Act is clearly on the other side. While negotiation with the European Common Market has provided a main theme of discussion, it is important to realize that the stress on most-favored-nation treatment and multilateral trade puts the Act directly in the line pursued by this country in the ITO, Gatt, and, before them, in the earlier, original Trade Agreements Act.

There is something else which the Kennedy approach has in common with past policy.

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[7] These figures have been brought up to date from the best study of the escape clause I have seen: William B. Kelly, "The 'Expanded' Trade-Agreements Escape Clause, 1955–1961," *The Journal of Political Economy*, February, 1962, pp. 37–63.

[8] Raymond Vernon, "A Trade Policy for the 1960's," *Foreign Affairs*, April, 1961, pp. 458–70.

It represents adaptation to changing circumstances. As the war ended, the United States pressed hard for the non-discriminatory reduction of trade barriers. When the dollar shortage and the requirements of European reconstruction proved greater than had been expected, the United States, without giving up the principle, made what were for the time being largely one-sided tariff reductions and accepted extensive discrimination against dollar exports. American support for European integration made necessary some changes in the outline of the world trading economy toward which the United States was working. In its relations with the underdeveloped countries the United States, although it believes in reciprocity, has to a considerable degree accepted the view that they may protect their infant industries while getting freer access for their exports to the markets of industrialized countries. To help draw Japan fully into the free world, the United States has imported more freely from that trading island than other Western countries have and has championed Japan's case for equal treatment in Gatt.

TRADE AND FOREIGN POLICY

Some of these adaptations of policy were forced on the United States. Some have been made incompletely or imperfectly. Still more adjustment will be needed. All these measures have been influenced by the need to conduct trade policy as part of the broad foreign policy of the United States. The erosion and stagnation in trade policy that developed during the 1950's threatened this country's flexibility and the economic and political advantages that could be gained therefrom. For nearly 15 years war and reconstruction had sheltered much of the American economy from strong foreign competition. That changed when European and Japanese producers began exporting heavily during the 1950's—taking advantage, among other things, of tariff concessions made earlier by the United States.

To the extent that the United States responded to this competition by protective measures, it was seeking to avoid one kind of adjustment in its economy. The price, if the process continued, threatened to take the form of another kind of adjustment—higher costs at home, smaller export markets, and, very importantly, a loss of the means of taking advantage of changes abroad to pursue major aims of United States economic and foreign policy. Adjustment cannot be avoided. The question to be decided is what form it should take.

CONCLUSION

The significance of the Kennedy proposals rests in large part on the fact that it attempts to provide means suitable to the 1960's for advancing toward the kind of multilateral trading world the United States has professed to want for some time past. Conditions in the free world are much more favorable for this kind of effort than at any time in the last 20—and probably 30—years. But to take advantage of those circumstances one proposition advanced by the Kennedy administration may be of special importance. "The concept that we must protect every American industry against the adjustments required by competition is alien to the spirit of our economy," Under Secretary of State George Ball told the National Foreign Trade Council on November 1, 1961. If that view is accepted and applied, 1962 will be an important landmark in the history of United States foreign trade policy.

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MERCANTILISM

Continued from p. 326

There were compensating advantages for the colonists. For one thing, in certain enumerated products they enjoyed a monopoly of the English market. At their disposal were the credit facilities and the marketing techniques of the greatest commercial nation in the world. They received the protection of the British navy wherever they sailed in the world. They belonged to an empire which protected them from the competition of foreign ships and which until 1764 provided them internal stability. Whether these advantages were worth the cost is uncertain, but it is probably worth pointing out once more that the great majority of Americans in 1775 seemed to think they were.

There is unfortunately no way to reorder history and no one can say what would have happened if England had not regulated the trade of her overseas plantations. That such a policy would have been considered utopian in the seventeenth and eighteenth centuries is certain, for while sentiment existed in England favoring freer trade with foreign nations, the benefits which colonies brought were reserved for the mother country alone.

CONCLUSION

The only test of the English mercantile system can be whether it worked, and of course it did. The rise of England to become the greatest commercial and naval power in the world was an accomplished fact by 1760, and that was, after all, what the Acts of Trade and Navigations were supposed to bring about. Moreover, whatever the economic burden placed upon the colonies, they prospered and became thriving communities. Mercantilism would make little sense for England in the nineteenth century, and, following the dictum of Adam Smith, she would lead a world movement towards free trade; but England was able to do this partly at least because she had reached commercial leadership a century earlier, under an economic system that was far from free.

TRADE: 1789–1828

Continued from p. 332

exhibits. Southerners organized for defiant reply. In their section cotton had become king. Because it was so largely exported, cotton could not be protected. On the other hand high duties on industrial products raised the prices the South must pay for manufactures. If England was hampered in the export of factory goods to America, how could she buy cotton? Further, national revenue from the tariff was used for public improvements principally in the North.

The impending conflict promised to be serious enough without the ulterior designs of political schemers. The Harrisburg proposals were introduced in Congress by Rollin C. Mallary of Vermont. Jackson's managers doctored the bill to elect their candidate, a Southerner, over Adams, the New Englander. Jackson's position on the tariff could be interpreted as for or against. His supporters in the middle states and West would vote for a measure giving gratuitous protection to flax, hemp, pig and rolled bar iron. New England wool manufacturers would be disgusted by reduced duties on cloth and prohibitive taxes on wool which they must import. New England shipbuilders would reject higher costs of cordage and iron fittings, while forges and slitting mills of that section would have to pay more for cast iron and bars from the middle states.

It was the expectation of Jackson's strategists that the tariff bill of 1828, thus manipulated, would fail of passage. The South would be solidly against all protection as a matter of course. Jackson adherents in the middle and western states would blame the defeat on Adams men of New England and Jackson forces in all sections would be held together to the discredit of Adams.

To the general surprise this "Tariff of Abominations," so "villainously pranked," instead of being blasted after it had served political purposes, was passed and became law on the signature of President John Quincy Adams. The systematic friends of

protection condemned the "crude mass of imperfection" (Carey) contrived by those who would betray the country's welfare to "promote their own ambitious and unholy designs" (Niles). South Carolinians revived the contention that a state had a sovereign right to "nullify" what it held to be an infraction of the Constitution. And thereby hung a tale.

SECTIONALISM

Continued from p. 338

dustrial economy based largely on expanding internal markets. The closing decades of the nineteenth century saw other important countries develop national industrial economies, and at the end of the century only Britain stood for a system of international free trade.

THE ROLE OF PROTECTIONISM

Historians still debate the effectiveness of the protective tariff in stimulating United States industrialization. One school, while conceding the importance of other factors, believes that American industrialization was largely the result of government intervention and that the protective tariff was the most important of the government's positive measures promoting industrialization. Another school maintains that the United States would have become a great industrial nation without government intervention, without a protective tariff. Historians of this school argue that the country's resources and the steady growth of capital, skilled labor, transportation and mechanical inventions would in any event have produced a pervasive industrial revolution in America. Some, along with F. W. Taussig, have even argued that in several ways (by increasing the costs of raw materials, for instance) the protective tariff delayed more than it helped certain of America's manufacturing industries.

However, most of those who minimize the role of government and of tariffs in bringing about America's industrial revolution acknowledge that the Civil War and the government measures designed to promote industrialization did in fact accelerate that revolution, even though they did not cause it. But they are inclined to hold that a slower and more natural industrial revolution would have resulted in less hardship to the older mercantile interests and a better balanced economy.

PROTECTION: 1866–1919

Continued from p. 343

have been greatly exaggerated by both the supporters and the critics of the tariff. Indications are that the industrialization of the nation would have proceeded at pretty much the same pace without the questionable stimulus of the tariff. The increase in population through natural causes and immigration, the westward advance of civilization, and rising living standards created new demands for the products of the factory and the farm. Our agricultural and mineral resources were capable of sustaining the food and raw material requirements of an expanding industrial economy.

What the protectionists served up to the general public as an indispensable asset to our national development was a well-disguised device for conferring special benefits on privileged groups. As a rule the big prizes went to the powerful and the solidly entrenched, who could be tapped for contributions during the election season.

There is little basis for the charge that the tariff was responsible for the high cost of living in the decade or so prior to the outbreak of the war. It is true that the tariff raised prices of goods such as sugar, woolens, and silks; but these prices were rising in the low as well as the high tariff nations. The duties on farm commodities, in most instances, were nothing more than token rewards to the agricultural interests that cooperated with the manufacturing elements in keeping the tariffs high.

The war had the dual effect of accelerating the industrial growth of the United States and in making her the banker of the world, which in turn affected our foreign trade. Former creditors had become our debtors. If the products of our factories and farms were to continue finding their way into foreign mar-

kets, the United States had to admit the products of countries that produced more cheaply. Our influence in international economic affairs, the future of our foreign trade, and the collection of our foreign debts were contingent on the adoption of a liberal tariff policy.

TARIFF: 1920–1932

Continued from p. 349

Montagu Norman, Governor of the Bank of England, in a moment of humility, confessed that he "did not understand money." It left much to faith for American exporters, with less financial profundity than Norman, to maintain commercial relations with countries whose finances oscillated to the rhythm of alternating hopes and fears, wisdom and folly.

The varieties of currencies from 1918 to 1925 were satisfactory neither to the countries concerned nor to those which maintained stable legal tender, and all of them envisaged the return to the gold standard. In 1925, Winston Churchill, then Secretary of the Exchequer, restored the pound to gold. In quick succession most commercial nations followed suit. While the United States had not abandoned gold, it had required a license for its export. The restoration of gold in the postwar period was not identical with the prewar establishment, for after 1925 gold was rarely in circulation and the internal convertibility of paper money into gold was largely a fiction. The restoration of the currencies to gold, however, facilitated the stabilization of the world's currencies establishing a steady ratio of exchange between the various systems of money.

DEPRESSION, 1929

The onset of the depression in 1929 upset the financial structure which had been so laboriously reconstructed. In September, 1931, England again abandoned gold, and its action was soon followed by most nations. Two primary factors motivated them: (1) to prevent the escape of their gold reserves, and (2) to cheapen their currencies and enable foreign customers to exchange their own currency for more of the seller's money. This would enable foreign customers to buy more commodities and thereby increase exporters' sales and in general stimulate business.

Before long most commercial nations depreciated their currencies in order to attract buyers. In time exporting nations competed in currency depreciation to their own detriment. Each was trying to offer more of his own currency for customers' money than the other, until the sale of his commodities imposed less profits, or even losses. This led exporting nations to stabilize their currencies on the basis of an agreed-upon exchange value of their money.

As long as Herbert Hoover remained in the Presidency he stubbornly strove to balance the national budget and to maintain the gold standard. Although he failed in the former he succeeded in the latter. When Franklin Roosevelt entered the White House in 1933 he abandoned the gold standard, joined the currency depreciation scramble, and, eventually, appreciated the liabilities of the anarchical financial debauche.

ROOSEVELT

Continued from p. 355

newed the program for another three years, but granted to the executive the authority to raise or lower by as much as 50 per cent the duties existing at the beginning of 1945.

The Hull program was by this time a thoroughly-established concern, with agreements being negotiated steadily and with "lowered trade barriers" a reality. There were still vociferous, stern, unbending protectionists in abundance. Whether they would be able to assert themselves strongly enough to influence policy in what promised to be an economically dislocated postwar world remained to be seen. An exceedingly difficult world economic situation and the fear of domestic opposition limited the effectiveness of Hull's trade policies. Nonetheless, the Reciprocal Trade Agreements program can today be seen as a major feature in the history of American foreign trade and tariff policy.

CURRENT DOCUMENTS

The United States in a Competitive World Economy

The following statements were contained in an address[1] by Joseph D. Coppock, Director, Foreign Economic Advisory Staff, on February 15, 1962. Pertinent excerpts on international trade are reprinted here:

* * *

Tonight I wish to speak in some detail about a particular kind of international economic cooperation. It is, in fact, the most important kind of international economic cooperation. It is not aid, it is not investment, it is not technical assistance; it is international trade, trade carried on almost entirely by businessmen. National governments have it within their power, however, to bar goods from other countries or to welcome them. They have it within their power to harass international movements of goods or to facilitate them.

Not only do national governments have it within their power to restrict or promote trade; they are heavily engaged in the use of tariffs, quotas, subsidies, export credits, et cetera. The effects are never confined to one country. Restrictive actions often evoke sharp retaliatory actions by other countries, as did our Tariff Act of 1930. Expansive actions evoke cooperative responses, as did our initiative in negotiating the General Agreement on Tariffs and Trade in 1947. Obviously the actions which evoke cooperative responses are the ones we should take and to which we should respond, unless there are overriding reasons to the contrary.

The year 1962 is a year of decision for United States trade policy. One reason is that the Trade Agreements Act expires on June 30. A much more important reason is that the European Economic Community—the Common Market—is in the process of becoming a great free trading area, comparable with the United States itself. As you know, the United Kingdom has applied for membership, and other countries are expected to join the original six: France, Germany, Italy, and that complex familiarly known as Benelux—Belgium, the Netherlands, and tiny Luxembourg. The European Economic Community was created by the Treaty of Rome in 1957 and began operations in 1958. It is designed to bring about the full economic integration of Western Europe by 1970. One of the main features is the eventual complete elimination of trade barriers within the Community; another is the establishment of a common external tariff.

We Americans can take much satisfaction in the emergence of this European economic union. It represents the achievement of one of the goals of our Marshall Plan aid after World War II, specified explicitly at the request of the United States Congress. . . .

This emerging economic unit symbolizes a change in the relative economic position of the United States. The postwar honeymoon is over. We face stiffer competition with our friends. We face an expanding international economic drive by the Soviet Union. The

[1] The address was delivered at the annual meeting of the United Fund of Decatur and Macon County at Decatur, Illinois.

European Economic Community has both minus elements and plus elements for us. The principal minus element for the United States is the disadvantage to which our exports to Europe will be subject as a result of the elimination of the internal European tariffs. For example, before the Common Market went into effect American and German manufacturers encountered the same French tariff on particular items, but with the Common Market in full effect the German manufacturers will not have to contend with a French tariff at all, whereas the American manufacturers will be faced by the Common Market tariff.

This is a real disadvantage, but it can be offset by some plus elements. One plus element is the expansion in European demand for American goods which is almost certain to result from increasing European prosperity, especially if our producers really push their wares. Another potential plus element is reduction in the Common Market external tariff.

* * *

In tariff debates in the United States it has been customary to overstate the *possible* negative effects of tariff reductions and to understate the *certain* positive benefits. American consumers and producers who buy from abroad gain from lower tariffs. Also imports help restrain inflation, and they provide competition for domestic products. Our economic system is geared to stand competition, although people sometimes forget it. Imports enable foreigners to earn dollars with which to pay off their loans and to reduce their need for aid. Imports also enable foreigners to buy our exports. Exports cannot expand very much for very long if imports do not expand. Loans, gifts, and foreign-owned monetary reserves can finance exports only within fairly narrow limits.

Most Americans are more aware of imports that compete with domestic goods than they are of American exports. I should like to take a few minutes to tell you what exports mean to you in concrete terms. I could give you the facts on a national basis, but instead I am going to give you the facts for this very section of Illinois, the 22d Congressional District, composed of the counties of Champaign, Coles, DeWitt, Douglas, Logan, Macon, Moultrie, and Piatt.

Exports of manufactured goods from this district amounted to $62,700,000 in 1960. Machinery, electrical equipment, chemicals, fabricated metal products, and food products were the main groups of exports. Twenty-one companies in this district exported goods worth more than $25,000 each. Twelve thousand workers were employed in these 21 companies—half of the total manufacturing workers in the 22d District. Exports per worker in these companies amounted to $5,240 in 1960.

Agricultural exports from these eight counties are estimated at $42,600,000 for the crop year 1960–61. That is $4,250 per farm for the 10,062 commercial farms. The most important agricultural export was soybeans, as might be expected from the "soybean capital" of the world.

These figures show what exports mean to you directly—in terms of incomes and jobs. For Illinois as a whole, exports of manufactured goods were worth $1,407,800,000 in 1960; agricultural exports, $320 million. For the United States, manufacturing exports were nearly $15 billion and agricultural exports nearly $5 billion. So you in central Illinois are not alone in your direct interest in exports.

* * *

Let me conclude by putting the proposed Trade Expansion Act of 1962 in the broad perspective of our international relations. We are faced with a strong, determined, clever antagonist in the form of the Soviet Union and international communism. This antagonist is probing all the time, looking for soft spots, in Latin America, Europe, Africa, Asia, and the Far East. Do we push these countries into the hands of the Communists, restricting their access to our markets? Or do we give them increased opportunities to sell—and buy—in the United States and thus strengthen their bonds with this country and other countries of the free world? The answer should be clear.

BOOK REVIEWS

HISTORY AND POLITICS

THE SINO-SOVIET CONFLICT, 1956–1961. By DONALD S. ZAGORIA. (Princeton, New Jersey: Princeton University Press, 1962. 484 pages, bibliography and index, $8.50.)

The problem of Sino-Russian relations, and the conflict between the two powers which came to a head at the twenty-second Communist Party Congress in October, 1961, have led of late to a great deal of speculation. Some have argued that the conflict is no more than a sham devised to dupe the West; others, that a break between China and the Soviet Union was inevitable. The latter foresee an eventual alliance between a prosperous Russia, come to appreciate the *status quo*, and the other "have" powers of the West.

This careful study of relations between the two greatest powers of the Communist camp during the years when their differences became first public, then acute, comes to support a third point of view: that "while there are serious differences of interest and outlook between Russia and China, the overriding common aims of both, their joint commitment to an international revolutionary process. . . , their shared determination to establish Communism throughout the world, set limits on conflict between the two."

While friction and competition are likely to continue, both parties have a tremendous stake in avoiding a total break, and the struggle between them will always be subordinated to the struggle against the West. Conflict between the U.S.S.R. and China is due to the fact that Peking and Moscow face different internal and external problems, and formulate different answers to their needs, but the Communist challenge is no less serious for all that. It may indeed be intensified, the need to keep up with the radical challenges of Chinese contenders for revolutionary leadership forcing Moscow into politics more aggressive than it would otherwise consider. In the meantime, contention has vastly increased the possibilities for diversity within the once-monolithic Soviet bloc.

A brief review does but scant justice to a rich and detailed study. A suggestive "Note on Methodology" explains the premises on which our detective-scholars of Communist exegesis proceed. The author remarks that a major work remains to be written on the methods for analyzing Communist communications which he described. It is a work he might consider writing with the convincing clarity of his present book.

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THE FUTURE OF COMMUNIST SOCIETY. EDITED BY WALTER LAQUEUR AND LEOPOLD LABEDZ. (New York: Frederick A. Praeger, 1962. 196 pages, $5.00.)
IDEOLOGY AND POWER IN SOVIET POLITICS. By ZBIGNIEW K. BRZEZINSKI. (New York: Frederick A. Praeger, 1962. 180 pages, $4.50.)

Part of the series of *Praeger Publications in Russian History and World Communism,* both these books maintain the high standards of an excellent series. In 1961, Walter Laqueur and Leopold Labedz edited a symposium inspired by the publication, in July of that year, of the third program of the Communist Party of the Soviet Union. Through an analysis of this important document, their contributors attempted to trace the broad outlines of Soviet society and policy, and to suggest probable lines of future development. First published in England, in a special edition of Mr. Laqueur's *Soviet Survey,*

the assembled articles are now made available in this country. They illuminate the present interpretation and application of Marxist-Leninist doctrine in a state where ideology and practice are inextricably intertwined (although the former is sometimes honored more in the rationalization than in the observance), and provide us with solid facts and suggestive interpretations concerning Party theory and policy, and its application in every possible realm.

Where Laqueur and Labedz's book is topical, that of Zbigniew Brzezinski is brilliantly synthetic. In collecting five of his most stimulating articles, Brzezinski has provided an essential interpretative guide for the debatable ground of contemporary Soviet ideology and practice, but also of totalitarian phenomena in general. As illuminating on Soviet internal trends as on the developments and ideological preconceptions likely to affect future policies at home and abroad, this compact but compendious book should be required reading not only for students of Communist affairs, but for anyone interested in contemporary problems and in the wider implications of contemporary politics.

E. W.

THE NATURE OF COMMUNISM. By ROBERT V. DANIELS. New York: Random House, 1962. 398 pages, bibliographical note and index, $6.00.)

Of the making of many books on communism there seems, as yet, to be no end and the specialist or teacher in this field finds himself wearily confronted by a growing number of works of varying merit. It is a pleasure and a relief, therefore, that this latest, highly readable entry is deserving of scholarly respect and of the serious attention of the wider audience for which it seems intended. It is an attempt at synthesis, an effort to look at the movement that calls itself communism from a variety of perspectives.

It is a book rich in insights and concise judgments, but it is inevitable that in a study of such broad scope the latter sound at times somewhat more categorical than would be the case if the author had had a chance to develop them more fully. There will, therefore, be minor disagreements or reservations, but they are outweighed by the merits of the work.

Not the least of these is the setting of the Russian Revolution (without which, Daniels believes, communism would never have come into existence) in the context of revolutions in general. This makes it possible to view that revolution as one of an order of events which follow a roughly comparable course of development—a moderate government replacing the old regime, radical extremism, Thermidor, an authoritarian "restoration" and finally a controlled and cautious consolidation of revolutionary gains. The conclusion which Daniels draws from this sequence is that Soviet Russia has probably reached the end of its revolutionary journey and that dynamism in the Communist movement is now to be found only outside Russia.

It is important to be reminded that Marxist ideology and revolutionary doctrine are no longer (if they ever were) the chief engines of communism, but communism is still more than "a system of militaristic industrialism." It finds itself, in Russia and elsewhere, saddled with an ideological baggage which its leaders might wish to, but cannot, abandon. Communists are no longer fanatic revolutionaries, but neither can they yet afford, either domestically or internationally, to look at the world with the unclouded eyes of pragmatism. In fact the big question is, and remains, whether they are capable of doing so.

Perhaps the greatest merit of this book is that Daniels is aware of, and often anticipates, the reader's questions or objections. Although not everyone will agree with some of his emphases, his treatment of a large and complicated subject is stimulating, sound, fair, and enlightening.

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THE MONTH IN REVIEW

A CURRENT HISTORY Chronology covering the most important events of April, 1962, to provide a day-by-day summary of world affairs.

INTERNATIONAL

African Nations

April 2—Meeting in Casablanca, the "Casablanca bloc" nations agree to set up an African Common Market, an African payments union and an African development bank with a capital of $30 million. The Casablanca nations include Morocco, Ghana, Guinea, Mali, and the United Arab Republic. The Provisional Algerian Government was also an original signatory of the Casablanca Charter (January, 1961).

Association of Southeast Asia

April 3—Foreign ministers of Malaya, the Philippines and Thailand begin the second ministerial conference of the Association of Southeast Asia. The association was established in Bangkok 8 months ago.

April 5—The Philippines, Thailand and Malaya agree on economic and cultural cooperation in at least 17 fields.

April 6—At the close of the ministerial conference, 6 projects are selected for immediate implementation.

Berlin Crisis

April 1—It is disclosed that the Soviet Union is now willing to accept international control of the autobahn linking West Berlin to West Germany.

April 4—Allied air traffic and autobahn traffic are not harassed by Soviet tactics. For 6 days there have been no Soviet flights in the Allied air corridors to West Berlin.

April 5—A joint communiqué by Commander of the U.S. Army in Europe Bruce C. Clarke and Commander of the Soviet Army in East Germany Marshal Ivan S. Konev is issued in which they announce that their military missions will resume normal activities. (See also *U.S.S.R.*)

April 11—General Lucius D. Clay, U.S. President Kennedy's personal representative in West Berlin, returns to the U.S. for talks with Kennedy. It is announced that Clay will soon return to his duties as board chairman of the Continental Can Co., Inc., and will assist Kennedy as a special consultant on Berlin.

April 12—*Izvestia* (Soviet government newspaper) outlines the Soviet position on Berlin, i.e., the U.S.S.R. will not agree to international control of access routes to West Berlin unless the Western powers end their military occupation of Berlin.

April 13—Reliable sources report that the U.S. has presented a 4-point package plan (to its Allies) that outlines a Berlin settlement. The plan provides for a ban on the spread of nuclear weapons; a non-aggression declaration between Nato and the Warsaw Pact nations; East-West German committees to regulate contact between themselves; and international supervision of traffic between West Berlin and West Germany.

April 14—It is reported by Allied diplomats that Britain supports the U.S. package plan on Berlin; Germany and France oppose it.

April 16—In a resumption of negotiations on Berlin, U.S. Secretary of State Dean Rusk and Soviet Ambassador to the U.S. Anatoly F. Dobrynin meet in Washington.

April 20—It is reported that the U.S. has suggested that the 2 Berlins and 2 Germanies be included on the international authority to supervise traffic between West Berlin and West Germany. The international authority will include 5 Communist powers, 5 Western powers, and 3 neutrals.

April 23—At the second Rusk-Dobrynin meeting, the U.S. and Soviet Union agree to hold "formal negotiations" in Washington in mid-May to discuss Berlin.

April 24—Soviet Foreign Minister Andrei A. Gromyko in Moscow declares that U.S.-

Soviet talks in Geneva last month have allowed for some hope that a Berlin settlement can be reached.

April 26—Rusk declares in a news conference that little progress has been made on a Berlin accord.

April 28—Kennedy meets with British Prime Minister Harold Macmillan in Washington to discuss the problem of Berlin, among other issues.

Disarmament

April 10—The U.S. and Britain issue a statement expressing hope that the U.S.S.R. will "accept the principle of international verification" as a safeguard against secret testing so that a treaty can be signed.

The Moscow radio scorns the Western statement as a "diversionary maneuver of a propagandistic character."

April 12—The U.S.S.R. suggests a moratorium without inspection on nuclear testing for the duration of the disarmament talks. The U.S. and Britain reject this suggestion.

April 14—Soviet Premier Nikita Khrushchev rejects the Western offer of an inspected nuclear test-ban.

April 16—Eight neutral nations offer a plan to ban further testing, calling for "continuous observation and effective control" of an agreement "on a purely scientific and non-political basis."

April 18—The U.S. presents a detailed 3-stage disarmament program, in a 10,000-word document that is said by the U.S. delegation head to be the "most thorough and detailed study of general and complete disarmament ever made."

April 20—Russian delegate Valerian A. Zorin warns that unless the U.S. refrains from testing "there will be no negotiations" for a test ban treaty.

April 22—The Joint Congressional Committee on Atomic Energy reports that there has been "no material progress" toward detection of secret underground nuclear tests.

April 27—U.S. representative to the disarmament conference Arthur H. Dean reveals that the U.S. and the U.S.S.R. cannot agree on the compromise text of a declaration to outlaw war propaganda.

United Nations

April 3—The U.S. gives the U.N. Space Registry the details of John Glenn's three-orbital space flight.

April 5—Cyprus, Iran and the Netherlands agree to buy $2,546,175 in U.N. bonds.

April 9—The Security Council votes 10 to 0 with France abstaining to reaffirm a 1956 resolution condemning Israeli reprisal raids on Syria.

April 17—U.N. Acting Secretary General U Thant asks for "temporary standstill agreements" on Berlin and other crises, in a speech to the annual membership meeting of the U.S. Committee for the U.N.

April 18—U Thant reveals he has accepted an invitation to visit the U.S.S.R. shortly before the 1962 session of the General Assembly opens in September.

April 22—U Thant warns that the U.N. could be bankrupted by a large nation that refused to contribute to the U.N.'s peace-guarding activities.

April 27—The Security Council begins discussion of Pakistan's charge that India threatens violence in the 14-year-old border dispute over Kashmir.

West Europe

(See also *France*.)

April 5—The 3.6 mile vehicular tunnel under the Saint Bernard pass in the Swiss Alps, a Common Market project, is completed.

April 11—President Walter Hallstein of the Common Market says that the U.S. should prepare for broad and regular tariff cuts to further "open partnership" with Europe.

April 12—It is reported from Vienna that Austria, Switzerland and Sweden will urge negotiations with the Common Market before the discussions between Britain and the Common Market are completed.

April 17—The foreign ministers of the Common Market meet in Paris but progress toward a political agreement is reported delayed because two members are waiting for Britain's membership.

ARGENTINA

April 6—President José Maria Guido, who succeeded President Arturo Frondizi (ousted last month), completes his new Cabinet.

April 20—Guido issues a communiqué in reply to pressure brought by the 3 military secretaries. Guido affirms that he will not violate the constitution but will pursue a stronger anti-Peronist campaign.

April 21—Rival army troops in Buenos Aires are deployed against one another, but actual fighting is avoided. On the one side, Generals Poggi and Carreras' forces advocate stern measures to suppress Peronists. On the other, General Rauch and his troops support President Guido and the constitution. In a victory for the constitutionalists, General Bautista Loza is named army secretary, replacing Carreras.

April 22—The office of the Navy Secretary states that it will insist on a hard line against Peronists, and will demand the annulling of the recent elections in which the Peronists won a quarter of the seats in the lower house and 10 of the 17 provincial elections.

April 23—It is disclosed that a presidential succession bill before the Congress has been withdrawn; it would have permitted Guido to remain in the presidency until 1964. According to Argentine law, Guido must call a general election by April 29.

April 24—President Guido nullifies the provincial elections in which the Peronists were victorious. He orders the federal government to take control of all the provinces. It is reported that elections for president and vice-president will be held before the end of July.

April 25—Guido nullifies the Peronist election victories for the Chamber of Deputies following the Chamber's refusal to take action against the 47 Peronists just elected.

April 26—The Chamber of Deputies (lower house) recesses until May 22.

April 28—Guido continues to form a new Cabinet. Alvaro C. Alsogaray, ex-Economics Minister renamed to the same post by Guido, promises to avoid severe austerity measures in rebuilding the economy.

BOLIVIA

April 16—Bolivian high school students stage an anti-Chile demonstration. Bolivia cancels diplomatic ties with Chile over a 23-year fight on the use of the waters of the Lauca River.

April 20—The Bolivian-Chilean dispute is placed before the O.A.S.

BRAZIL

April 3—President João Goulart of Brazil arrives in Washington for a state visit with U.S. President Kennedy.

April 12—It is reported that agreement has been reached on compensation for a Brazilian subsidiary of the International Telephone and Telegraph Corporation of New York, expropriated by the provincial government of Rio Grande do Sul. It is also disclosed that the Brazilian federal government has issued an executive order to prevent state governors from expropriating foreign companies.

Goulart returns to Brazil.

April 13—Brazilian Foreign Minister Francisco San Tiago Dantas and U.S. Secretary of State Dean Rusk sign an agreement whereby Brazil will receive $276 million in Alliance for Progress funds for the development of its northeast areas. The U.S. is contributing $131 million, Brazil, the remainder.

BRITISH COMMONWEALTH OF NATIONS

Canada

April 9—Minister of Finance Donald Fleming reveals a deficit of $791 million in the 1961–1962 budget, the largest deficit ever reached in peacetime.

April 17—Prime Minister John Diefenbaker announces that there will be a general election June 18.

Ceylon

April 6—Emergency regulations including a ban on public meetings and press censorship are lifted after almost a year.

April 7—The government is reported draft-

ing legislation to set up further press censorship.

Ghana

April 18—Minister of Industries Krobo Edusei is removed from office after a crisis involving his wife's recent purchase of a gold-plated bed.

Great Britain

April 6—In a parliamentary by-election at Stockton-on-Tees the Labor party candidate wins with a vote of 19,694 against the Conservative candidate who received 12,112 votes. Prime Minister Macmillan personally campaigned for the Conservative candidate.

April 9—Chancellor of the Exchequer Selwyn Lloyd submits a budget to Parliament; the total defense expenditure is estimated at £1.721 billion.

April 10—Edward Heath, leading Britain's negotiators who are cooperating with the Common Market, declares that Britain plans to play her "full part" in the political as well as economic future of the European Economic Community.

April 19—Harold Macmillan sets September 10 as the meeting date for Commonwealth Prime Ministers who will consider the acceptability of the Common Market's terms for Britain's entry.

British Home Secretary R. A. Butler announces that immigration restrictions of the Commonwealth Immigrants Act will go into effect July 1.

April 25—Macmillan arrives in the U.S. for talks with President Kennedy. (See also *U.S., Foreign Policy.*)

April 26—Macmillan counsels the West to be "firm but patient; never to yield and never to give ground but never to take provocative action ourselves."

India

April 9—Prime Minister Jawaharlal Nehru names an enlarged Cabinet to serve in his fourth term.

April 14—Nehru appoints four Ministers of State and 11 Deputy Ministers to the Council of Ministers.

April 21—India charges Pakistan with violation of international law with the opening of the Karnafuli Dam near the border.

April 23—After a 5-day visit to India from Nepal's King Mahendra, a joint communiqué notes that the nations have a "vital interest in each other's sovereignty, independence and territorial integrity."

The Government presents a budget to Parliament with greater stress on exports and higher taxes.

Pakistan

April 2—President Mohammad Ayub Khan reveals plans to leave the presidency when his 5-year term expires; the forthcoming National Assembly's 3-year term will expire simultaneously in 1965.

April 28—Representing over 90 per cent of the Pakistani electorate, some 80,000 electors, "Basic Democrats," choose the members of the National Assembly.

April 29—President Ayub welcomes the new National Assembly.

BRITISH EMPIRE

British Guiana

April 22—In annual party elections, Premier Cheddi B. Jagan remains the leader of the People's Progressive party. Forbes Burnham, chief of the People's National Congress, remains as Opposition leader.

April 28—Jagan says he will not resign although a vote on his revised 1962 budget on April 26 was unfavorable.

Federation of Rhodesia and Nyasaland

April 22—Political rioting continues in the northern provinces; at least 8 Africans have died and more than 20 are reported injured.

April 26—Elections are held for 15 of the Federal Parliament's 59 seats; 40 members of Welensky's United Federal party have already been returned unopposed, guaranteeing him a two-thirds majority. Four seats are filled by appointment and special election.

April 28—Welensky's United Federal party wins 14 of the 15 contested seats in the

federal Parliament; the elections have been sharply boycotted by Africans, the European opposition and Asians.

April 30—A special U.N. subcommittee warns that racial injustices in Southern Rhodesia "might lead to serious conflict and violence."

Jamaica

April 10—Elections are held for the 45-seat Legislature; Premier Norman Manley's party seems to be losing.

April 12—Sir Alexander Bustamente's Labor party wins 26 seats; his government will officially take office on April 24. Manley's Peoples' National party wins 19 seats.

Kenya

April 5—Jomo Kenyatta reveals that the Kenya African National Union has agreed to a coalition government with the Kenya African Democratic Union and has also agreed to accept the British suggestion for a constitutional framework.

April 6—The framework of an interim constitution providing internal self-government in Kenya is accepted by the major political groups in Kenya. No date is set for independence.

April 10—Kenyatta becomes Minister of State for Kenya.

Malta

April 16—The British government approves a constitutional amendment giving the Prime Minister authority over the police and civil service.

Uganda

April 25—The first general election for the 82-member National Assembly under universal adult suffrage is held. Ugandan independence is set for October 9.

April 26—Incomplete returns indicate victory for A. Milton Obote's Congress party.

April 28—Obote is invited to London after his electoral victory.

West Indies

April 16—Colonial Secretary Reginald Maulding tells Commons that the Government is proposing a federation of Barbados and the Leeward and Windward Islands; a conference is being planned for early May to discuss the possibility.

BURMA

April 19—It is reported that Burma has ordered the cessation of all private Western agencies' activities, such as the Ford and Asia Foundations. It is also disclosed that the 17-man revolutionary council has told foreign governments that all aid to Burma must be on a "government-to-government" basis.

CHINA, PEOPLE'S REPUBLIC OF (Communist)

April 16—The 3-week closed meeting of the National People's Congress ends. The Peking radio announces that the Congress has adopted a 10-point program for economic growth with emphasis on agriculture.

April 19—Indian Prime Minister Nehru charges that Communist Chinese troops have made a new incursion into East Kashmir.

April 27—Two Chinese Communist major newspapers carry editorials attacking U.S. President Kennedy for ordering the resumption of nuclear tests.

CONGO, REPUBLIC OF THE (Leopoldville)

April 13—It is reported that the Congo's central government has asked for 2 U.N. battalions to put down secession in the Mining State in South Kasai.

April 14—Premier Cyrille Adoula of the central government and President Moise Tshombe of the secessionist Katanga Province confer after an 8-day rupture in their month-long talks.

April 18—The Congo government prevents a U.N. plane with Tshombe and 22 others from leaving Leopoldville for Elisabethville.

U.N. Acting Secretary General U Thant issues orders to U.N. Congo forces to effect the release of the plane with Tshombe on board.

April 19—The U.N. forces the Congolese to permit Tshombe to depart for Leopoldville.

CUBA

April 3—It is reported that the mass trial of 1,179 persons captured in the invasion of Cuba last year has ended.

April 8—It is announced that a military tribunal last night declared the 1,179 prisoners guilty of treason and sentenced them to 30 years imprisonment. The government offers to free all the prisoners for a sum total of $62 million in ransom.

April 11—Relatives of Cuban prisoners report that 54 sick and wounded prisoners will be freed and that a tentative agreement has been reached on releasing the remainder of the 1,179 invaders by May 15.

April 14—A total of 60 ill prisoners return to the U.S. The $2.5 million ransom for this group must still be paid.

ECUADOR

April 6—It is reported that anti-government guerrillas are operating near Santo Domingo.

April 9—The Ecuadoran army captures a camp of pro-Communist youths; they are members of a left-wing organization, the Union of Revolutionary Ecuadoran Youth.

EGYPT

April 7—The trial of 4 Frenchmen, members of a diplomatic mission, is postponed indefinitely. Their release, along with that of 7 Egyptians also being tried, is approved by President Gamal Abdel Nasser's office. The Frenchmen had been charged with plotting against the Nasser government.

EL SALVADOR

April 29—Elections for the presidency are held. The unopposed presidential candidate is Lieutenant Colonel Julio Adalberto Rivera, head of the National Conciliation party. Opposition parties boycott the election.

April 30—It is reported that Rivera received some 370,000 votes in the election yesterday.

FINLAND

April 13—A new coalition government is formed with Ahti K. Karjalainen as premier.

FRANCE

April 4—French President Charles de Gaulle confers in Italy with Italian Premier Amintore Fanfani. De Gaulle presents a plan for a new political organization for West Europe—a "Europe of Fatherlands"—in which the member states of the Common Market would retain unlimited sovereignty. It is reported that the Italians have rejected any plan to undermine the existing supranational organizations in West Europe.

April 6—De Gaulle ends the campaign on the referendum on the Algerian settlement. He urges support for his solution, as agreed on March 18, 1962, with the Algerian nationalists.

April 8—The referendum is held, giving French voters a chance to approve the Algerian accord and the extra powers the President may need.

April 9—It is disclosed that 90 per cent of the valid ballots cast in the referendum yesterday approved the Algerian settlement. The final count for metropolitan France was 17,505,473 "yes" votes; 1,794,553 "no" votes.

April 11—Ex-Air Force General Edmond Jouhaud, the second ranking leader of the O.A.S., is tried by a special military tribunal in France. Jouhaud was captured last month in Algeria.

April 12—A letter to French newspapers believed to be from former Premier Georges Bidault is received. The letter denounces de Gaulle and the Algerian settlement and announces the creation of a new "National Council of Resistance."

April 13—The military court trying Jouhaud sentences him to death. There is no appeal but his sentence could be commuted by presidential action.

April 14—Premier Michel Debré resigns. De Gaulle names Georges Pompidou to succeed to the premiership. Pompidou is director of the Rothschild Bank and has served as an adviser to de Gaulle.

April 15—Pompidou names a Cabinet of 29; he retains many of the Cabinet Ministers who served under Debré.

April 27—The National Assembly approves Premier Pompidou's government.

FRANCE OVERSEAS

Algeria

April 2—The French Army announces that some 40 O.A.S. members have been captured.

French military sources report that French and Algerian nationalists have clashed for the first time since the ceasefire agreement became effective March 18.

April 3—European terrorists enter a Muslim private clinic, kill 10 patients and wound 7, with submachine guns. They also destroy part of the building.

April 4—European right-wing extremists attack Muslim residential areas in Algiers.

April 7—The provisional executive that will govern Algeria through the transition to independence is officially installed.

April 9—It is reported that the French in Algeria are overwhelmed by the 90 per cent of approval given to de Gaulle's Algerian program. (See also *France.*)

April 15—In the first instance of Muslim counter-terrorism, Muslim youths kill 2 Europeans and wound another. Heretofore the Algerian Nationalists' leaders orders prohibiting reprisals against European terrorists have not been violated.

April 18—The French government announces that Minister for Algerian Affairs Louis Joxe will leave at once for Algiers to accelerate the implementation of the cease-fire.

Lieutenant General Michel Fourquet succeeds General Charles Ailleret as commander in chief of French forces in Algeria.

April 19—Joxe meets with French officials in Algeria.

April 20—Former General Raoul Salan, leader of the O.A.S. (Secret Army Organization), and his wife and daughter are arrested in Algiers.

April 21—O.A.S. terrorism continues.

April 22—It is disclosed that yesterday civilian authorities in Paris indicted General Salan for crimes against the state.

April 25—An explosion by European extremists at a bus stop kills 2 Muslims and harms 22 persons. Muslims turn on a European woman but Muslim counter-terrorism is quickly suppressed by French soldiers and Muslim vigilante committees under orders of the Algerian nationalist provisional government.

April 28—In an attempt to break European resistance in Oran (second largest Algerian city), French army troop strength there is increased to 12,000 soldiers.

April 29—French troops set up positions in the heart of the European center in Oran.

GREECE

April 20—Thousands of Greeks battle with police who are preventing crowds from attending a meeting of the Center Union, the major opposition group to the government led by Premier Constantine Caramanlis. Army units are sent to the scene of the demonstration to back up 7,000 policemen. The rioting lasts for 5 hours.

GUATEMALA

April 25—It is disclosed that President Miguel Ydigoras Fuentes' government has ordered police to block any demonstrations against the government. Civil policemen disperse a crowd of about 300 marchers.

INDONESIA

April 2—Lieutenant General Abdul Haris Nasution, Indonesian Army Chief of Staff, states that Indonesian guerrillas have landed on the west and southwest coast of Netherlands New Guinea. New Guinea (West Irian) is held by the Netherlands, but Indonesia lays claim to it.

IRAN

April 10—Shah Mohammed Riza Pahlevi and Empress Farah arrive in the U.S. on an official visit.

IRAQ

April 23—It is reported that a major rebellion by Kurdish tribesmen in the north is gaining momentum. The Kurds are led by a Moscow-trained tribal leader, Mullah Mustafa al-Barzani, and have gained control of northern territories. The Kurds

demand an independent Kurd Republic within Iraq.

ISRAEL

April 3—Israel and Syria each ask the U.N. Security Council to condemn the other as the aggressor in recent Syrian-Israeli border clashes. (See also *Int'l., U.N.*)

April 10—The Israeli Knesset meets to consider the censure of Israel by the U.N. Security Council yesterday for an Israeli attack on Syria last March. The Knesset adopts a resolution reaffirming "Israel's right to self defense" and rejects the U.N. reprimand.

LAOS

April 29—Prince Boun Oum and Deputy Premier General Phoumi Nosavan return from Thailand. The 2 leaders state that they have received promises of Thai aid to help relieve the gap left by the U.S. suspension of monthly aid payments to Laos.

MONACO

April 3—Talks between France and Monaco are suspended. Monaco is a French protectorate, and a tax haven for residents. France was trying to negotiate changes in the convention regulating French-Monacan relations, particularly the liberal tax privileges which Monaco allows residents.

April 11—The French government renounces the convention with Monaco regulating customs, communications, transportation and banking.

NORWAY

April 28—Parliament approves, 113 to 37, the government's decision to apply for full membership in the European Economic Community.

PORTUGAL

Angola

April 5—An announcement by Holden Roberto, Angolan rebel leader, proclaims a government in exile for Portuguese Angola, with himself as premier.

April 16—It is reported that Angolan refugees have fled across the frontier into the Congo during the last 2 weeks at the rate of over 200 persons a day.

RUMANIA

April 27—President Gheorge Gheorghiu-Dej addresses the opening session of the Grand National Assembly (parliament). He announces that 93.4 per cent of Rumanian agriculture has been brought under the farm collectivization system.

April 30—The Grand National Assembly approves the creation of a high council of agriculture to administer the farm collectives.

SOUTH AFRICA

April 13—Prime Minister Hendrik F. Verwoerd announces that he has invited the U.N. Special Committee on Southwest Africa to visit South Africa to discuss the dispute over South Africa's claim to the territory.

The Special 7-man U.N. Committee accepts Verwoerd's invitation.

SPAIN

April 12—The Parliament approves a law to nationalize the Bank of Spain.

SWITZERLAND

April 1—Switzerland completes the second day of a 2-day vote on a constitutional amendment to ban nuclear weapons. The Swiss voters reject the proposed amendment to prohibit the manufacture and storage of nuclear weapons on Swiss soil.

SYRIA

(See also *Int'l., U.N.*, and *Israel.*)

April 2—Outside of Damascus, a group of "free officers" advocating reunion with Egypt take control of a large part of Syria.

April 3—The Damascus radio broadcasts an announcement by the high command that the pro-Nasser revolt in Aleppo has been put down without bloodshed; that rebel leaders have taken flight and that soldiers at the Aleppo garrison have returned to their barracks.

April 13—Army Chief Major General Abdel Karim Zahreddin announces that President Nazem el-Kodsi, ousted last month, has been returned to office.

April 14—President Kodsi tells Syrians, in a radio broadcast, that he will try to organize

a union of "liberated Arab states, beginning with Egypt."

April 17—It is reported that Bachir el-Azmah has formed a new Syrian Cabinet.

U.S.S.R., THE

(See also *Int'l., Berlin Crisis.*)

April 5—Professor Trofim Lysenko resigns as president of the Soviet Academy of Agricultural Sciences.

April 6—Soviet Premier Nikita S. Khrushchev declares that if the U.S. resumes nuclear testing, the Soviet Union will also continue to test.

April 17—Khrushchev is 68 years old today.

April 19—The Soviet Union announces the recall of Marshal Ivan S. Konev, commander of Soviet troops in East Germany.

The Soviet Union and Communist China, according to a Peking radio broadcast, sign a trade agreement for 1962.

April 23—The Supreme Soviet (the national parliament) convenes.

April 24—In a foreign policy report to the Supreme Soviet, Foreign Minister Andrei A. Gromyko presents his views on his talks last month with U.S. Secretary of State Dean Rusk. He declares that the Soviet-U.S. meetings on Berlin produced "some glimpses of hope" that a settlement could be reached.

The Supreme Soviet renames Khrushchev premier and Leonid I. Brezhnev Chairman of the Presidium (chief of state). Communist party leader of Sverdlovsk Province Andrei P. Kirilenko (a Khrushchev protégé) is given full membership in the Communist party presidium.

April 25—At its closing meeting, the Supreme Soviet approves a new cabinet, names a new Supreme Court, and appoints a 96-man commission under Khrushchev's leadership to draft a new constitution.

In announcing his new Cabinet, Khrushchev includes a new agency, the Commission of the Presidium of the Council of Ministers for Foreign Economic Matters. The agency will coordinate the Soviet foreign aid and trade programs, and will be headed by Mikhail A. Lesechko.

April 29—It is announced that the All-Union Agriculture Committee, the chief administrative agency for Soviet agriculture, will be composed of 7 men. A Deputy Premier, Nikolai G. Ignatov, is named chairman.

Tass announces that Cosmos IV, the fourth Cosmos satellite to be launched in Soviet explorations to be used in future manned space flights, has been successfully recovered after 72 hours in orbit.

UNITED STATES

Civil Rights

April 10—Robert F. Kennedy, Attorney General, attacks literacy tests as a device to keep Negroes from voting in the South.

April 25—Discussion of the Administration's civil rights bill begins in the Senate.

April 30—The Justice Department files suit against the registrar of voters in Forrest County, Mississippi, for violating a court order against racial discrimination.

The Economy

April 3—The European Common Market (E.E.C.) asks for a conference on United States tariff rises on carpets and glass, invoking terms of the General Agreement on Tariffs and Trade in its protest.

April 10—The United States Steel Corporation announces a $6 a ton price increase effective at midnight. The action surprises the Administration and the United Steelworkers.

April 11—Five large steel producers increase prices.

Kennedy attacks the steel companies for "irresponsible defiance" of public welfare and "ruthless disregard" of their obligations to the nation.

April 12—Two other steel producers announce price increases.

Attorney General Robert Kennedy reveals he has ordered a grand jury investigation of steel price increases; this action is taken under the Sherman Antitrust Act.

April 13—The Inland Steel Company reveals it will not raise its steel prices at this time. The Kaiser Steel Corporation says it will not raise prices. The Bethlehem Steel Company rescinds its price rise.

The United States Steel Corporation rescinds its planned price increase.

Most steel companies follow suit.

April 26—A federal grand jury charges U.S. Steel and Bethlehem Steel with violating antitrust laws.

Foreign Policy

(See also *Int'l., Berlin Crisis.*)

April 1—It is revealed in Washington that the U.S. and Poland have recently signed an agreement to cooperate in a $2 million medical research program financed by the U.S.

April 3—Brazilian President João Goulárt arrives in Washington for a state visit.

April 11—President Kennedy welcomes Shah Mohammed Riza Pahlevi of Iran at the beginning of a state visit.

April 23—Dr. Harry Wexler, Director of Research in the U.S. Weather Bureau, reveals that an agreement has been reached between the U.S. and the U.S.S.R. for a "world weather watch" with cooperative networks linked by meteorological satellites.

April 27—British Prime Minister Harold Macmillan arrives in Washington to confer with President Kennedy.

April 29—Macmillan and Kennedy issue a communiqué at the end of 2 days of talks: they will take no initiative for a summit meeting; they agree to maintain contact with the U.S.S.R. on all levels; they exchange views on the Common Market; they express a desire for a neutral and independent Laos.

Government

April 2—The President establishes a Bureau of Outdoor Recreation in the Department of the Interior.

April 5—The President asks Congress for a national transportation policy, including federal aid for mass transportation in and around cities.

April 14—A federal court tells the Alabama legislature that if it does not reapportion itself before a new legislature is elected in November, the federal court will do so.

April 18—The White House receives legislation providing a $32 million program to stimulate educational television stations.

The President and his family begin a 10-day Easter vacation in Palm Beach, Florida.

April 21—The President opens the Seattle World's Fair by telephone from Palm Beach.

April 26—Attorney General Robert Kennedy says the government will not appeal the federal court formula for liquidating the du Pont holdings in General Motors; this ends a 13 year legal battle.

April 28—A 3-judge federal court rules unconstitutional Georgia's newly altered county-unit election system.

The Atomic Energy Commission acts to allow its employees and job applicants the privilege of confronting their accusers in security cases.

Labor

April 2—A strike of production workers begins at Republic Aviation Corporation.

April 11—The Attorney General is ordered by the President to ask an injunction to halt the West Coast shipping strike for 80 days, under terms of the Taft-Hartley Act.

April 16—The President suggests that Pan American World Airways, Inc., and the International Air Line Pilots Association arbitrate their contract dispute instead of suffering a strike.

April 26—A spokesman for the country's railroads asks the Administration to combat inflation by condemning wage increases for off-train railroad employees.

Military Policy

April 3—Following advice from the National Aeronautics and Space Administration, the 7 Mercury astronauts refuse to accept free homes in Houston, Texas.

April 4—The Army announces plans for eliminating 4 Army Reserve divisions and 4 National Guard divisions; this will mean a 58,000-man reduction in trained reserves.

April 9—The U.S. defines a Pacific nuclear testing area centered on Johnston Island.

April 12—The White House receives a bill authorizing expansion of the Peace Corps to some 10 thousand volunteers.

April 19—The Skybolt, first airborne ballistic missile, is launched from a B-52 bomber; after the first stage fires successfully the sec-

ond stage fails to fire, landing the missile far short of its target.

April 23—The Ranger IV moon rocket is launched toward the moon; its scientific instruments fail to function.

April 24—The President orders the resumption of atmospheric nuclear tests.

April 25—President Kennedy issues an Executive Order permitting U.S. soldiers injured in Vietnam to receive Purple Hearts even if they are not fighting an "armed enemy of the U.S."

The Defense Department lifts the prohibition on government-paid travel by military dependents.

Atmospheric nuclear tests are resumed by the U.S. at the Pacific test area.

April 26—The space ship Ranger IV crashes on the far side of the moon; this is the nation's first landing on the moon.

British experimental instruments are launched successfully by American rockets in the first international satellite effort.

April 27—Two more nuclear tests are fired, one in the Pacific and the other in Nevada.

Major Arch E. Roberts is relieved of active duty service and returned to reserve status because he has attacked the Mayor of Los Angeles and Assistant Secretary of State G. Mennen Williams as Leftists in an extemporaneous speech to the D.A.R. in Washington.

The Pentagon reveals that all Reserve and National Guard units called to active duty during the Berlin crisis will be released between August 1 and August 11.

April 29—Dr. Harold Brown, director of research and engineering in the Defense Department, reveals plans to explode a hydrogen bomb in space that is expected to contort the earth's magnetic field and affect the Van Allen radiation belt. The experiment, which is considered not dangerous, will take place in June or July.

April 30—The piloted rocket plane, X-15, soars 48 miles into space and re-enters the atmosphere successfully.

Politics

April 19—Republican leaders in Congress criticize the President's actions in the steel dispute and attack his "display of naked power. . . ."

Segregation

April 3—A federal judge rules that pupil placement laws in Louisiana are discriminatory and that integration must be effected in the first 6 grades of all New Orleans public schools starting with the September term.

April 21—A Negro family with 8 children arrives in New York from New Orleans; their one-way bus fare has been paid by the racist Citizens Council in New Orleans.

April 26—An officer of the White Citizens Council of Greater New Orleans says that 100 Negroes will be sent one-way to Northern cities from New Orleans in the next few days.

Supreme Court

April 3—New York residents and radio station WMCA challenge the constitutionality of New York's legislative districting and ask the Court to return the case to a federal court that rejected their plea.

April 5—Justice Felix Frankfurter collapses and is taken to a hospital.

April 16—Byron R. White is sworn in as an associate justice of the Supreme Court.

April 23—The Court orders the Michigan Supreme Court to restudy Michigan's legislative districting.

April 30—The Court rules 5 to 2 that the Federal Power Commission had no authority to approve a gas company merger while the merger was being challenged in an anti-trust suit in the courts.

A medical bulletin reports that Justice Felix Frankfurter will not return to active work on the bench this term.

VIETNAM, SOUTH

April 7—South Vietnam announces that government troops have routed 1,200 Viet Cong guerrillas, who were launching a large-scale offensive in the Tra Bong District, after 4 hours of fighting.

April 9—Two U.S. army sergeants are killed by the Viet Cong in field training maneuvers with South Vietnamese soldiers.

April 15—A U.S. Marine Helicopter unit

with 16 helicopters and 400 Marines arrives to help fight pro-Communist (Viet Cong) guerrillas.

April 16—Replying to a Soviet note of March 17, Britain rejects a Soviet proposal that the 2 governments, co-chairmen of the Geneva conference of 1954 setting up the Indochinese peace, ask the U.S. to end interference in Vietnam. Britain charges that Communist North Vietnam is responsible for the situation in South Vietnam.

April 23—Provincial authorities declare that on April 20 Cambodian soldiers attacked a Vietnamese border village, killing 52 persons.

April 25—It is reported that yesterday Vietnamese forces, assisted by U.S. marine helicopters, won a major victory over Communist guerrillas in the Mekong Delta area. 87 Viet Cong guerrillas are killed.

April 28—It is reported that an army team, part of the U.S. Special Forces, is organizing and training some 2,000 Rhade tribesmen to fight the Communist guerrillas.

YUGOSLAVIA

April 7—Milovan Djilas, government critic and author of *The New Class,* is rearrested; he was released from prison in January, 1961. It is reported that Djilas' arrest is related to the publication of a new book in New York entitled "Conversations with Stalin."

The Parliament votes to extend its term for a maximum one year period. Its regular term expires this month.

April 11—The Yugoslav Information Secretariat announces that Djilas has been rearrested for breaking the terms of his parole in 1961.

April 16—Soviet Foreign Minister Andrei A Gromyko arrives in Belgrade for a 5-day state visit. He is the first leading Soviet official to visit Yugoslavia in over 4 years

April 18—The Federal Executive Council approves new austere economic regulations that are designed to provide a deflationary effect on the economy and to reduce domestic consumption.

April 21—Gromyko departs for the U.S.S.R

The U.S. and Yugoslavia sign an agreement for the sale of $25 million in surplus U.S. agricultural goods to Yugoslavia.

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...OUTH AND SOUTHEAST (Nov., '62)	INDIA (Mar., '63)
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